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, 2007

Commission File No.: 0-25581

priceline.com Incorporated

(Exact name of Registrant as specified in its charter)

Delaware	**06-1528493**
(State or other Jurisdiction of Incorporation or Organization)	(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	The NASDAQ Stock Market LLC

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 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 priceline.com as of June 30, 2007 was approximately $1.9 million based upon the closing price reported for such date on the Nasdaq National Market. For purposes of this disclosure, shares of common stock held by executive officers and directors of priceline.com on June 30, 2007 have been excluded because such persons may be deemed to be affiliates of priceline.com. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of priceline.com's common stock was 38,472,411 as of February 15, 2008

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 priceline.com's definitive proxy statement relating to the annual meeting of stockholders to be held on June 4, 2008, to be filed with the Securities and Exchange Commission within 120 days after the end of priceline.com's fiscal year ended December 31, 2007.

priceline.com Incorporated Annual Report on Form 10-K for the Year Ended December 31, 2007 Index

PART I		Page No.
Special Note Regarding Forward Looking Statements		1
Item 1.	Business	1
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	31
Item 2.	Properties	31
Item 3.	Legal Proceedings	31
Item 4.	Submission of Matters to a Vote of Security Holders	41
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	42
Item 6.	Selected Financial Data	45
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	46
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	71
Item 8.	Financial Statements and Supplementary Data	72
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	72
Item 9A.	Controls and Procedures	72
Item 9B.	Other Information	73
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	74
Item 11.	Executive Compensation	74
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	74
Item 13.	Certain Relationships and Related Transactions, and Director Independence	74
Item 14.	Principal Accountant Fees and Services	74
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	75
Signatures		79
Consolidated Financial Statements		81

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 are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict, including the Risk Factors identified in Item 1A of this Annual Report; therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements.

Expressions of future goals, expectations and similar expressions including, without limitation, "may," "will," "should," "could," "expects," "does not currently expect," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," or "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 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 SEC, particularly our quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. Business

General

We are a leading online travel company that offers our customers a broad range of travel services, including airline tickets, hotel rooms, car rentals, vacation packages, cruises and destination services. In the United States, we offer our customers a unique choice: the ability to purchase travel services in a traditional, price-disclosed manner or the opportunity to use our unique *Name Your Own Price®* service, which allows our customers to make offers for travel services at discounted prices. Internationally, we offer our customers hotel room reservations in over 60 countries and 22 languages.

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include, among others, the brands Booking.com and Active Hotels in Europe and Agoda in Asia. Our goal is to be the leading worldwide online hotel reservation service and be the top online discount travel agent in the United States. At present, we derive substantially all of our revenues from the following sources:

- Transaction revenues from our *Name Your Own Price®* airline ticket, hotel room and rental car services, as well as our vacation packages service;
- Commissions earned from the sale of price-disclosed hotel rooms, rental cars, cruises and other travel services;
- Customer processing fees charged in connection with the sale of both *Name Your Own Price®* and price-disclosed airline tickets, hotel rooms and rental cars services. Priceline eliminated processing fees for its price-disclosed airline ticket service in June 2007;
- Transaction revenue from our price-disclosed merchant hotel room service;
- Global distribution system ("GDS") reservation booking fees related to both our *Name Your Own Price®* airline ticket, hotel room and rental car services, and price-disclosed airline tickets and rental car services; and
- Other revenues derived primarily from selling advertising on our websites.

For the year ended December 31, 2007, we had revenues of approximately $1.4 billion comprised of "merchant" revenue, "agency" revenue and "other" revenue. Merchant revenues are derived from transactions where we are the merchant of record and are responsible for, among other things, collecting receipts from our customers and remitting payments to our suppliers. Merchant revenues, which represented the substantial majority of our total revenues in 2007, consisted of: (1) transaction revenues representing the selling price of *Name Your Own Price®* airline tickets, hotel rooms, rental cars and price-disclosed vacation packages services; (2) transaction revenues representing the amount charged to a customer, less the amount charged by suppliers in connection with the hotel rooms provided through our merchant price-disclosed hotel service; (3) customer processing fees charged in connection with the sale of *Name Your Own Price®* airline tickets, hotel rooms and rental cars and merchant price-disclosed hotels services; and (4) ancillary fees, including GDS reservation booking fees related to certain of the transactions described above. Agency revenues are generally derived from retail travel related transactions where we are not the merchant of record and where the prices of our services are determined by third parties. Agency revenues consisted primarily of: (1) travel commissions; (2) customer processing fees; and (3) GDS reservation booking fees related to certain of the aforementioned transactions. Other revenues consisted primarily of revenue from advertising on our websites.

Priceline.com was formed as a Delaware limited liability company in 1997 and was converted into a Delaware corporation in July 1998. 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.com Business Model

We offer customers the ability to make hotel reservations on a worldwide basis primarily under the Booking.com and Agoda brands internationally and primarily under the priceline.com brand in the United States. In the United States, we also offer customers the ability to purchase other travel services, including airline tickets, rental car days, vacations packages, destination services and cruises, through both a traditional, price-disclosed "retail" manner, and through our proprietary demand-collection system known as *Name Your Own Price®*. These services are made available over the Internet through websites that we own or control, and are provided by major travel suppliers, including more than 60,000 hotel properties worldwide. We believe that the combination of our retail price-disclosed model and our *Name Your Own Price®* model allows us to provide a broad array of options to value-conscious travelers, while providing us with diverse streams of revenue.

International: Price-Disclosed Hotel Services. We offer a retail, price-disclosed hotel service in Europe and Asia through our international operations, which we have developed through recent acquisitions. In September 2004, we acquired Booking.com Limited, a Cambridge, England-based Internet hotel reservation distributor, and in July 2005, we acquired Amsterdam-based Booking.com B.V., one of continental Europe's leading Internet hotel reservation services, with offices primarily in Amsterdam, Barcelona, Berlin, Loule, Paris, Rome and Vienna. All of our European operations, including Booking.com Limited and Booking.com B.V., are majority-owned by us. In November 2007, we acquired Agoda Company, Ltd. ("Agoda") and AGIP LLC ("AGIP," and together with Agoda, the "Agoda Companies"), an Internet hotel distributor with operations in Singapore and Thailand. We work with over 60,000 chain-owned and independently owned hotels offering hotel reservations on various websites and in multiple languages. For geographic related information, see Note 19 to our Consolidated Financial Statements.

Our international business — the significant majority of which is currently generated by our European operations — represented approximately 55% of our gross bookings in the year ended December 31, 2007, and contributed more than two-thirds of our consolidated operating income during that period. We expect that throughout 2008 and beyond, our international operations will represent a growing percentage of our total gross bookings and operating income.

United States: Retail Travel Services. In the United States, we offer customers the ability to purchase price-disclosed hotel rooms, airline tickets, rental car days, vacation packages, destination services and cruises at retail prices. In these transactions, the customer typically selects airline flights, hotel reservations, rental car or other travel itineraries from an array of results produced in response to the customer's request. These results include the identity of the travel supplier, the exact price of the itinerary, and other details relating to the itineraries. In some circumstances, the customer pays us at the time of reservation, and in other circumstances, the customer pays the travel supplier directly at the time of travel.

United States: Name Your Own Price® Travel Services. We have developed a unique pricing system known as a "demand collection system" that uses the information sharing and communications power of the Internet to create a different way of pricing services. We believe our services have created a balance between the interests of buyers, who are willing to accept trade-offs in order to save money, and sellers, who are prepared to generate incremental revenue by selling their services at below retail prices, provided that they can do so without disrupting their existing distribution channels or retail pricing structures. Our demand collection system allows consumers to specify the price they are prepared to pay when submitting an offer for a particular leisure travel service. We then access databases in which participating suppliers file secure discounted rates not generally available to the public, to determine whether we can fulfill the customer's offer and decide whether we want to accept the offer at the price designated by the consumer. For most of these transactions, we have discretion in supplier selection and are the merchant of record in the transaction. Consumers agree to hold their offers open for a specified period of time (generally, not longer than one minute) to enable us to determine whether we can or want to accept the offer. Once fulfilled, offers generally cannot be canceled — thereby making such purchases generally non-refundable. This system uses the flexibility of buyers to enable sellers to accept a lower price in order to sell their excess capacity. We believe that our demand collection system addresses limitations inherent in traditional seller-driven pricing mechanisms in a manner that offers substantial benefits to both buyers and sellers. We believe that the principal advantages of our system include the following:

- **Cost Savings**. Our *Name Your Own Price®* demand collection system allows consumers to save money in a simple and compelling way. Buyers effectively trade off flexibility about brands, service features and/or sellers in return for prices that are lower than those that can be obtained at that time through traditional retail distribution channels.

- **Incremental Revenue for Sellers**. Sellers use our *Name Your Own Price®* demand collection system as a revenue management tool to generate incremental revenue without disrupting their existing distribution channels or retail pricing structures. We require consumers to be flexible with respect to brands and service features. As a result, our *Name Your Own Price®* system does not reveal sellers' brands to customers prior to the consummation of a transaction, thereby protecting their brand integrity. This shielding of brand identity and price enables sellers to sell services at discounted prices without cannibalizing their own retail sales by publicly announcing discount prices and without competing against their own distributors.

- **Proprietary Seller Networks**. We have assembled proprietary networks of industry leading sellers that represent high quality brands. By establishing attractive networks of seller participants with reputations for quality, scale and national presence, we believe that we foster increased participation by both buyers and sellers.

We often refer to services offered through our *Name Your Own Price®* service as "opaque" services because all aspects of the travel service are not visible to the consumer before making an offer.

The priceline.com 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. Priceline.com has been a leader in the deep discount segment of this market in the United States and in the hotel reservation market internationally. Our strategy is to continue to participate broadly in online travel growth by expanding our service offerings and markets.

- **Become the Leading Worldwide Online Hotel Reservation Service**. The size of the travel market outside of the United States is substantially greater than that within the United States. Historically, Internet adoption rates and e-commerce adoption rates of international consumers have trailed those of 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. Prior to 2004, substantially all of our revenues were generated within the United States. For the year ended December 31, 2007, our international business — the significant majority of which is currently generated by our European operations — represented approximately 55% of our gross bookings, and contributed more than two-thirds of our consolidated operating income during that period. We expect that throughout 2008 and beyond, our international operations will represent a growing percentage of our total gross bookings and operating income. Because of what we believe to be superior growth rate opportunities associated with international online travel, we intend to continue to invest resources to increase the share of our revenues represented by international consumers and capitalize on international travel demand.

  We believe that the positioning of our Booking.com hotel reservation service gives us a foothold into a broader international market. We intend to use the Agoda Companies, our recently acquired online hotel distributor with operations in Singapore and Thailand, to further develop our operations throughout Asia, where Internet penetration is growing at a substantially greater pace than in the United States over the last several years. We have begun, and intend to continue, development of the means to share hotel availability among our brands, which we believe will allow us to monetize demand across international markets. In addition, from time to time we explore strategic transactions and acquisitions that, among other things, allow us to provide our services to new markets. We believe that by promoting our brands worldwide, sharing hotel supply and customer flow and applying our industry experiences in the United States and Europe to other international regions, we can further expand our service internationally and become the leading worldwide online hotel reservation service.

- **Continue to be One of the Top Online Travel Businesses in North America for Value-Conscious Leisure Travelers**. Our *Name Your Own Price®* demand collection system in the United States allows consumers to save money in a simple and compelling way. Buyers effectively trade off flexibility about brands, service features and/or sellers in return for prices that are lower than those that can be obtained at that time through traditional retail distribution channels. We have expended significant resources to allow us to introduce price-disclosed retail services in the United States to our consumers to compliment the *Name Your Own Price®* service. We believe that by offering a "one-stop-shopping" solution to our customers, we can simultaneously fulfill the needs of those customers who are prepared to accept the unique restrictions of our *Name Your Own Price®* service in exchange for receiving significant savings relative to retail prices, as well as those customers who are less price sensitive and require the certainty of knowing the full details of their travel itinerary prior to purchasing. In June 2007, we eliminated booking fees on price-disclosed retail airline tickets as part of our strategy to provide value to our customers.

We intend to enhance our service offerings continually, particularly our retail offerings, by adding competitive functionality, adding competitive content at competitive pricing, adding and improving the content and merchandising on our website as well as cross-sell opportunities to maximize customer conversion.

- *Competitive functionality:* We continue to expend significant resources to remain competitive in terms of the features and functionality we offer our customers. For example, since launching our domestic retail air service, we added the ability to search for flexible dates or alternative airports, book one-way and multi-destination itineraries and easily make modifications to search criteria. We intend to add additional functionality such as the ability to search child and senior fares and to access real time seat maps.

- *Competitive selection and pricing:* We believe that having a wide selection of travel options at competitive pricing is critical to our success. For example, in June of 2007, we eliminated booking fees on price-disclosed retail airline tickets, added JetBlue fares to both our retail price-disclosed and *Name Your Own Price*® airline ticket services and added over 10,000 additional hotels to our domestic vacation package service. In addition, we have renewed or entered into new agreements with several of our major airline and hotel suppliers, which we believe improved our access to a better selection of travel alternatives and pricing.

- *Content and merchandising:* As part of our evolution to a "one-stop-shopping" website, we have added thousands of pages of content to allow customers to research destinations and hotel properties before booking a reservation. We offer property descriptions, maps, images, and user reviews whereby our customers can benefit from the experiences and opinions of other customers. In the United States, we introduced "PriceBreakers℠," which is a presentation of selected travel itineraries at discounted prices that is updated daily. We intend to continue to improve our content and merchandising with more comprehensive descriptions, more and higher quality images, and more user reviews, which we believe will improve conversion of users shopping on our website.

- *Cross-sell opportunities*: We also cross-sell different travel components to maximize the revenue we generate from each customer in the United States. We have developed and implemented functionality that allows customers to "add-on" travel components to their selection, both during the shopping experience and at time of purchase. For example, customers can add a rental car reservation to their air or hotel reservation, or a hotel reservation to their air reservation. Customers can also add destination related services such as shuttles, tours and activities. Additionally, we cross-sell opaque services on our retail path and retail services on our opaque path. For example, an unsuccessful opaque air customer may be offered a price-disclosed alternative, while a retail hotel shopper may be offered the *Name Your Own Price*® alternative for greater savings. We intend to further enhance these cross-sell opportunities across all of our services.

We strive to be the preferred discount distribution channel in the United States for airlines, hotels and rental car companies. Our *Name Your Own Price*® service protects supplier brand and published pricing and our packages and other merchandising provide access to the brand neutral leisure traveler at attractive distribution costs.

Service Offerings — International

Retail Hotels. We offer a retail, price-disclosed hotel service in Europe and Asia, primarily through our Booking.com and Agoda brands. We operate our international operations through Booking.com Limited and Booking.com B.V. in Europe and the Agoda Companies in Asia. Through these operations, we work with over 60,000 chain-owned and independently owned hotels offering hotel reservations on various websites and in multiple languages.

Service Offerings — United States

***Name Your Own Price*® Hotels**. Through our *Name Your Own Price*® hotel room reservation service, customers can make reservations at hotel properties in substantially all major cities and metropolitan areas in the United States and Europe. Most significant national hotel chains as well as several important real estate investment trusts and independent property owners participate in our *Name Your Own Price*® service. Hotels participate by filing secure private discounted rates with related rules in a global distribution system database. These specific rates generally are not available to the general public or to consolidators and other discount distributors who sell to the public, however, hotel participants may make similar rates available to consolidators or other discount providers under other arrangements.

To make an offer, a customer specifies: (1) the city and neighborhood in which the customer wants to stay, (2) the dates on which the customer wishes to check in and check out, (3) the "class" of service (1, 2, 3, 4, 5-star or "resort"), (3) the price the customer is willing to pay, and (4) the customer's valid credit card to guarantee the offer. When making an offer, consumers must agree to stay at any one of our participating hotel partners and accept a reservation that cannot be refunded or changed. The target market for our *Name Your Own Price*® hotel room reservation service is the leisure travel market.

Retail Hotels. We also operate a price-disclosed hotel service in the United States that enables our customers to select the exact hotel they want to book and the price of the reservation is disclosed prior to purchase.

***Name Your Own Price*® Airline Tickets**. There are a total of 13 domestic airlines and 26 international airlines participating in our *Name Your Own Price*® airline ticket service.

Our *Name Your Own Price*® airline ticket service operates in a manner similar to our *Name Your Own Price*® hotel room reservation service. To make an offer, a customer specifies: (1) the origin and destination of the trip, (2) the dates on which the customer wishes to depart and return, (3) the price the customer is willing to pay, and (4) the customer's valid credit card to guarantee the offer. When making an offer, consumers must agree to:

- fly on any one of our participating airline partners;
- leave at any time of day between 6 a.m. and 10 p.m. on their desired dates of departure and return;
- purchase only round trip coach class tickets between the same two points of departure and return;
- accept at least one stop or connection;
- receive no frequent flier miles or upgrades; and
- accept tickets that cannot be refunded or changed.

If a customer's offer is not accepted, but we believe the offer is reasonably close to a price that we would be willing to accept, we will attempt to satisfy the customer by providing guidance to the customer indicating that changing certain parameters of the offer would increase the chances of the offer being accepted. For example, in some cases we disclose to the customer that agreeing to fly into an alternate airport would increase the chances of his or her offer being accepted. In other cases, we inform the customer that increasing his or her offer by a certain amount would increase the chances of it being accepted. We may also offer a customer the opportunity to purchase a price-disclosed retail airline ticket.

Retail Airline Tickets. We also offer our customers in the United States the ability to purchase retail airline tickets at disclosed prices and with disclosed itineraries. The airline sets the retail price paid by the consumer and is the merchant of record for the transaction. These airline tickets do not have the restrictions associated with our *Name Your Own Price*® service. For example, in addition to having fully disclosed itineraries, retail airline tickets are generally changeable and cancellable for a fee. In June 2007, we eliminated booking fees we had previously charged on the sale of retail airline tickets.

***Name Your Own Price*® Rental Cars**. Our *Name Your Own Price*® rental car service operates in a manner similar to our hotel reservation and airline ticket services. Our rental car services are currently available in substantially all major United States airport markets. The top five brand name airport rental car companies in the United States are seller participants in our rental car program. Consumers can access our website and select where and when they want to rent a car, what kind of car they want to rent (e.g., economy, compact, mid-size, SUV, etc.) and the price they want to pay per-day, excluding taxes, fees and surcharges. When we receive an offer, we determine whether to fulfill the offer based upon the available rates and rules. If a customer's offer is accepted, we will immediately reserve the rental car, charge the customer's credit card and notify the customer of the rental car company and location providing the rental car.

Retail Rental Cars. We also offer a price-disclosed rental car service on www.priceline.com that enables our customers in the United States to choose between price-disclosed or *Name Your Own Price*® rental cars. Our price-disclosed rental car service operates under the agency model, under which we earn a commission upon rental car return, and accommodates one-way and off-airport reservations. As with our retail airline ticket and hotel reservation services, rental car reservations booked in a retail manner do not have the restrictions associated with our *Name Your Own Price*® service. Customers can select the exact car they want to book and the price of the reservation is disclosed prior to purchase.

With respect to each of our airline, hotel and rental car services, we believe the combination of our *Name Your Own Price*® model and the retail model allows us to provide a broad array of options to value-conscious travelers, while providing us with diverse streams of revenue.

Vacation Packages. Our vacation package service allows consumers in the United States to purchase packages consisting of airfare, hotel and rental car components. Consumers can select the exact hotel or resort that they want to reserve, and then, in most cases, select either a retail airline ticket or an opaque airline ticket for the air component of their package. Additionally, consumers can add destination related services such as tours, shuttles, and activities. Vacation packages are sold at disclosed prices, although consumers cannot determine the exact price of the individual components.

Destination Services. We currently offer customers in the United States the opportunity to purchase destination services such as event tickets, ground transfers, tours, restaurant meals and other services available at their travel destinations. This service is offered to consumers as part of the process of booking an air, hotel and vacation reservation, and also as a standalone service. In certain locations, we also offer parking and expanded ground transfer options.

Cruises. We also offer price-disclosed cruise trips through National Leisure Group, Inc. ("NLG"), an agent representing major cruise lines. Our cruise service allows consumers in the United States to search for and compare cruise pricing and availability information from 17 cruise lines, and to purchase cruises online or through a call center by selecting from our published offerings and prices. We receive commissions from NLG on successful cruise bookings.

Travel Insurance. We offer our air, hotel and vacation package customers in the United States an optional travel insurance package that provides coverage for, among other things, trip cancellation, trip interruption, medical expenses, emergency evacuation, and loss of baggage, property and travel documents. The travel insurance is provided by member companies of American International Group, Inc. ("AIG"). We receive a percentage of the premium from AIG member companies for every optional insurance package purchased by our customers.

While we are currently focused on the travel services described above, over time, we may evaluate the introduction of other services that we believe could enhance the travel experience of our customers.

Financial Services

We offer financial services through Priceline Mortgage Company LLC, d/b/a pricelinemortgage.com, of which we own 49% and hold two of five seats on the board of managers. Pursuant to an intellectual property license from us, pricelinemortgage.com utilizes the priceline.com *Name Your Own Price*® business model. Pricelinemortgage.com is controlled by EverBank, a federally chartered savings association supervised by the Office of Thrift Supervision, and a wholly owned subsidiary of EverBank Financial Corp. Pricelinemortgage.com has access to the management resources and expertise of EverBank, one of the nation's largest privately held banking and mortgage firms. EverBank Financial Corp. provides management services to pricelinemortgage.com, including the procurement of personnel and office space and assistance in obtaining regulatory approvals. Pricelinemortgage.com is operating in all 50 states. Robert J. Mylod, our Chief Financial Officer, is a director of, and an investor in, EverBank Financial Corp., the parent company of EverBank. Mr. Mylod's investment represents less than 1/10 of one percent of EverBank Financial Corp.'s outstanding common stock.

Under the terms of an agreement with EverBank Financial Corp., pricelinemortgage.com allows consumers to access attractive financial services including, but not limited to, mortgages, home equity loans, and banking service. We record our proportionate share of the results of pricelinemortgage.com as equity in income (loss) of investees and minority interests.

Marketing and Brand Awareness

Priceline.com and Booking.com have established widely used and recognized e-commerce brands through aggressive marketing and promotion campaigns. During 2007, our total online and offline advertising expenses were approximately $172.7 million and $36.0 million, respectively, a substantial portion of which was spent internationally. We intend to continue a marketing strategy to promote brand awareness and the concept that consumers can save money using our services. Underlying our marketing strategy is our belief that our target market is all consumers, not just Internet-savvy consumers. We intend to continue to promote the Booking.com, priceline.com and Agoda brands aggressively throughout 2008.

As our international operations become more meaningful contributors to our results, we have seen, and expect to continue to see, changes in our advertising expense. Specifically, because our international operations utilize online affiliate marketing and Internet search engines, principally through the purchase of travel-related keywords, as principal means of generating traffic to their websites, our

online advertising expense has increased significantly since our acquisition of those companies, a trend we expect to continue throughout 2008.

In addition, we generate advertising revenue by selling advertising to travel suppliers and others on our owned websites in the United States.

Competition

We compete with both online and traditional sellers of the services we offer. The market for the services we offer is intensely competitive, and current and new competitors can launch new sites at a relatively low cost. In addition, the major online travel companies with which we compete have significantly greater financial resources and capital than we do. We may not be able to effectively compete with industry conglomerates such as Travelport, Sabre or Expedia, each of which have access to significantly greater and more diversified resources than we do.

We currently or potentially compete with a variety of companies with respect to each service we offer. With respect to our travel services, these competitors include, but are not limited to:

- Internet travel services such as Expedia, Hotels.com and Hotwire, which are owned by Expedia; Travelocity and lastminute.com, which are owned by the Sabre Group; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are currently owned by Orbitz Worldwide; laterooms and asiarooms owned by Tui Travel, and Gullivers, octopustravel, Superbreak, Venere, hotel.de, Hotel Reservation Service and Wotif;

- travel suppliers such as airlines, hotel companies and rental car companies, many of which have their own branded websites to which they drive business;

- large online portal and search companies, such as AOL (including AOL Travel), Yahoo! (including Yahoo! Travel) and Google;

- traditional travel agencies;

- online travel search sites such as Mobissimo.com, FareChase.com, Kayak.com and Kayak.com's recent acquisition, SideStep.com (each sometimes referred to as "meta-search") and travel research sites that have search functionality, such as TripAdvisor, Travelzoo and Cheapflights.com; and

- operators of travel industry reservation databases such as Galileo, Worldspan, L.P., Amadeus and Sabre.

Many airline, hotel and rental car suppliers, including suppliers with which we conduct business, are focusing on driving online demand to their own websites in lieu of third-party distributors such as us. Certain suppliers have attempted to charge additional fees to customers who book airline reservations through an online channel other than their own website. Furthermore, several low cost airlines, which are having increasing success in the marketplace, distribute their tickets exclusively through their own websites. Suppliers who sell on their own websites typically do not charge a processing fee, and, in some instances, offer advantages such as bonus miles or loyalty points, which could make their offerings more attractive to consumers than models like ours.

We potentially face competition from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic, including Amazon.com, AOL, MSN, Google.com and Yahoo!, which compete with us either directly or indirectly through affiliations with other e-commerce or off-line companies. We also compete with "meta-search" companies, which are companies that leverage their search technology to aggregate travel search results

across supplier, travel agent and other websites. For example, Yahoo! owns FareChase.com, a travel search-engine that searches for fares and hotel rates at travel supplier and third-party websites, and refers traffic to those sites, and AOL is party to a marketing and technology agreement, and holds a minority interest in, Kayak.com, another leading meta-search company. Other established search engine companies as well as start-ups are attempting to enter the online travel marketplace in this manner. If Yahoo!, Google or other portals decide to refer significant traffic to travel search engines, it could result in more competition from supplier websites and higher customer acquisition costs for third-party sites such as ours. In addition, because we advertise on certain meta-search sites, a loss of business for competitive reasons could result. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

Many of our current and potential competitors, including Internet directories, search engines and large traditional retailers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, personnel, technical and other resources than priceline.com. Some of these competitors may be able to secure services on more favorable terms than we can. In addition, many of these competitors may be able to devote significantly greater resources to:

- marketing and promotional campaigns;
- attracting traffic to their websites;
- attracting and retaining key employees;
- securing vendors and supply; and
- website and systems development.

Increased competition could result in reduced operating margins, loss of market share and damage to our brand. There can be no assurance that we will be able to compete successfully against current and future competitors. See "*Risk Factors — Intense competition could reduce our market share and harm our financial performance*."

Operations and Technology

Our business is supported by a systems platform, which was designed with an emphasis on scalability, performance and reliability. The software platform and architecture are built on server-side Java, C++, ASP, & Perl, and SQL scripts integrated with Oracle & MYSQL relational database systems. This internal platform was 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 airline and hotel room reservation systems and financial service providers, as well as individual suppliers, such as individual hotels. Our Internet servers utilize digital certificates to help us conduct secure communications and transactions, as appropriate.

The systems infrastructure and web and database servers of our international operations are primarily hosted at Equinix Europe Ltd., in London, England, and Global Switch Amsterdam B.V. and TelecityRedbus, in the Netherlands. Each location has backup generators and infrastructure typical of hosted data centers.

Our systems infrastructure and web and database servers in the U.S. are hosted at SAVVIS in Jersey City, New Jersey, which provides communication links, as well as 24-hour monitoring and engineering support. SAVVIS has its own generator and multiple back-up systems in Jersey City. We also maintain a second web hosting facility at AT&T in New York City. Our network operations center monitors both web hosting facilities and is located in our Norwalk, Connecticut headquarters. All three facilities have an uninterruptible power supply system, generators and redundant servers. If SAVVIS

were unable, for any reason, to support our primary web hosting facility, we would need to activate our secondary site at AT&T.

We out-source most of our domestic call center and customer service functions, and use a real-time interactive voice response system with transfer capabilities to our call centers and customer service centers.

Intellectual Property

We currently hold eighteen issued United States patents, Nos. 5,794,207; 5,897,620; 6,085,169; 6,108,639; 6,134,534; 6,240,396; 6,332,129; 6,345,090; 6,356,878; 6,418,415; 6,466,919; 6,484,153; 6,510,418; 6,553,346; 6,993,503; 7,203,660; 7,188,176; 7,333,941 and over twenty pending United States and foreign patent applications. All of our issued United States patents expire between September 4, 2016 and March 22, 2025. We file additional patent applications on new inventions, as appropriate.

While we believe that 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;
- any patent can be successfully defended against challenges by third parties;
- the pending patent applications will result in the issuance of patents;
- competitors or potential competitors of priceline.com 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; or
- new prior art will not be discovered that may diminish the value of or invalidate an issued patent.

There has been discussion in the press regarding the examination and issuance of so-called "business method" patents. As a result, the United States Patent and Trademark Office has indicated that it intends to intensify the review process applicable to such patent applications. The new procedures are not expected to have a direct effect on patents already granted. We cannot anticipate what effect, if any, the new review process will have on our pending patent applications. See, "*Risk Factors — We face risks related to our intellectual property.*"

We hold the exclusive rights to the trade names and service marks PRICELINE® and PRICELINE.COM® in the U.S. as well as in many foreign countries. We own U.S. Service Mark Registrations Nos. 2,481,750; 2,272,659; 2,594,582 for PRICELINE, and 2,481,752; 2,594,592; 2,594,592; and 2,481,112 for PRICELINE.COM, including all attendant goodwill. We also own U.S. Service Mark Registrations Nos. 2,647,673 and 2,644,739 for NAME YOUR OWN PRICE®; U.S. Service Mark Registration No. 2,481,751 for PRICELINEMORTGAGE®, U.S. Service Mark Registration No. 3,357,458 for PRICELINE EUROPE, and others. In addition, through our European subsidiary Bookings Europe BV, we hold the registered service mark BOOKINGS in the Netherlands (Benelux Registration No. 762054) and in France (French Registration No. 43276223, as well as French

Registration No. 43276225 for BOOKING; two European Community ("EC") service mark registrations for BOOKINGS (Regs. Nos. 3413846 and 3413952,) and one for ACTIVE HOTELS (ED Reg. No. 3859618).

We aggressively monitor, protect and enforce our copyrights, service marks, trademarks, trade dress, domain names and trade secrets on an ongoing basis through a combination of laws and contractual restrictions, such as confidentiality agreements. For example, we endeavor to register our trademarks and service marks in the United States and internationally, currently holding over one hundred fifty service mark registrations worldwide. However, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are or may be made available online, regardless of our continuous efforts to police and register our marks. See, "*Risk Factors —- We face risks related to our intellectual property*."

We currently own numerous Internet domain names in various top level domains, particularly for purposes of deterring service mark infringement. Domain names are generally regulated by Internet regulatory bodies such as the World Intellectual Property Organization. The relationship between trademark and unfair competition laws and domain name registration is evolving. The Anticybersquatting Consumer Protection Act in the U.S. and the Uniform Domain Name Dispute Resolution Policy of the Internet Corporation for Assigned Names and Numbers have both significantly enhanced the ability to deter the infringing incorporation of trademarks into domain names by third parties and to assert our registrations against them. We actively pursue significant infringers as appropriate, including cybersquatters and typosquatters who misappropriate our service marks and misspellings thereof as domain names, in order to maintain our famous marks and prevent the dilution of their distinctiveness. See, "*Risk Factors — We face risks related to our intellectual property*."

Governmental Regulation

The services we provide are subject to various federal, state and local regulations. For example, our travel service is 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 addition, our services may be subject to various state and local taxing regulations. See "*Risk Factors — Uncertainty regarding state and local taxes*".

In addition, our business is indirectly affected by regulatory and legal uncertainties affecting travel suppliers and global distribution systems. In 2004, the Department of Transportation (the "DOT") published a Final Rule, abolishing the rules governing global distribution systems. As a part of the Final Rule, the DOT rejected proposals to regulate online travel service providers' fare displays. However, the DOT deferred consideration of a proposal to amend its policies regarding advertising of air tickets, to require that agency service fees be stated separately from the price being charged by the airlines. Our current service fee disclosure practices differ from those proposed by the DOT. If the DOT were to resume consideration of and adopt the service fee proposal, we may have less flexibility regarding merchandising air travel on our websites.

We are subject to federal, state and international laws that require protection of user privacy and user data. In our processing of travel transactions, we receive and store a large volume of personally identifiable data, both in the United States and Europe. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including the Commission of the European Union through its Data Protection Directive and variations 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.

Pricelinemortgage.com is subject to laws governing the licensing and conduct of persons providing mortgage brokerage services. Such laws typically require certain consumer protection disclosures and loan solicitation procedures. For example, the Real Estate Settlement Procedures Act prohibits the payment and receipt of mortgage loan referral fees, and permits persons to be compensated

only for the fair market value of non-referral services. Accordingly, pricelinemortgage.com's home financing service provides non-referral services such as website development and advertising to a licensed mortgage broker who, in turn, provides the back-end processing for loan referrals.

All of our services are subject to federal and state consumer protection laws and regulations prohibiting unfair and deceptive trade practices.

We are also subject to regulations applicable to businesses conducting online commerce. Presently, there are relatively few laws specifically directed toward online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted with respect to the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of services, taxation, advertising, intellectual property rights and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy is developing, but any such new legislation could have significant implications on how we conduct online business. In addition, some states may require us to qualify in that state to do business as a foreign corporation because our service is available in that state over the Internet. Although we are qualified to do business in a number of states, failure to meet the qualifications of certain states, or a determination that we are required to qualify in additional states, could subject us to taxes and penalties. See "*Risk Factors — Regulatory and legal uncertainties could harm our business,"* and *"Uncertainty regarding state and local taxes*."

Our European operations are subject to various foreign regulations and governing bodies that might limit their services. They may be affected by unexpected changes in regulatory requirements and various tariffs and trade barriers in connection with online commerce. Any failure by our European operations to comply may have an adverse effect on our business.

Seasonality

Our *Name Your Own Price*® services are non-refundable in nature, and accordingly, we recognize travel revenue at the time a booking is generated. However, we recognize revenue generated from our retail hotel services, including our international operations, at the time that the customer checks out of the hotel. As a result, a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized until future quarters. From a cost perspective, however, we expense the substantial majority of our advertising activities as they are incurred, which is typically in the quarter in which bookings are generated. Therefore, as our retail hotel business continues to grow, we expect our quarterly results to become increasingly impacted by these seasonal factors.

Employees

As of February 15, 2008, we employed approximately 1,324 full-time employees, of which 282 are based at our Norwalk, Connecticut headquarters and 998 are based in our international offices. We also retain independent contractors to support our customer service 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.

The priceline.com Website

We maintain a website with the address www.priceline.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.priceline.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, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. 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 priceline.com Incorporated Code of Business Conduct and Ethics is available through the www.priceline.com website and any amendments to or waivers from the Code of Ethics 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 may also impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Our international operations' business model exposes us to certain risks that we have not traditionally experienced in the U.S. hotel business.

Throughout 2007 and 2006, our international operations experienced significant growth in their gross bookings. This growth rate has contributed significantly to our growth in revenue, gross profit and earnings per share. We believe that this growth rate has also been a significant driver in the increase in our stock price over the last year. We expect our international operations to experience a significant decline in their growth rate in future years as the absolute level of their gross bookings grows larger. Other factors could also cause slowing growth rates in the international business, including changes in foreign currency exchange rates, travel market conditions, changes in hotel pricing or availability, the competitiveness of the market and macro economic weakness. A decline in our international operations' growth rate could have a negative impact on our future revenue and earnings per share growth rates and, as a consequence, our stock price.

In addition, our international operations rely heavily on various third parties to distribute hotel room reservations, and our international operations' distribution channels are concentrated among a number of third parties. Should one or more of such third parties cease distribution of our international operations' reservations, or suffer deterioration in its search engine ranking, due to changes in search engine algorithms or otherwise, the business of our international operations could be negatively affected. Similarly, a significant amount of our international business is directed to our own websites through participation in pay-per-click advertising campaigns on Internet search engines whose pricing and operating dynamics can experience rapid change both technically and competitively. We have experienced increased competition and increased costs associated with our advertising campaigns. If a major search engine changes its pricing, operating or competitive dynamics in a negative manner, our business, results of operations and financial condition would be adversely affected.

The strategy of our international operations involves rapid expansion into countries in Europe, including eastern Europe, Asia and elsewhere, many of which have different customs, different levels of customer acceptance of the Internet and different legislation, regulatory environments and tax schemes. Compliance with foreign legal, regulatory or tax requirements will place demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. If our international operations are unsuccessful in rapidly expanding into other international countries, our business, results of operations and financial condition would be adversely affected.

Our international operations currently distribute hotel rooms primarily through a retail model whereby we earn a commission from the hotel property when the customer checks out of the hotel. This requires our international operations to pursue collection of commissions relating to hotel room reservations from the hotel after the customer has completed his or her stay. We do not have extensive experience in collecting commissions from hotels in many of our international markets and failure to sustain an adequate collection rate could negatively impact the business of our international operations.

We are dependent on the leisure travel industry and certain travel suppliers.

Our financial prospects are significantly dependent upon our sale of leisure travel services. Leisure travel, including the sale of leisure airline tickets and hotel rooms, is dependent on personal discretionary spending levels. As a result, sales of leisure travel services tend to decline during general economic downturns and recessions. In addition, unforeseen events, such as terrorist attacks, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents, travel related health concerns and unusual weather patterns also may adversely affect the leisure travel industry. As a result, our business also is likely to be affected by those events. Further, work stoppages or labor unrest at any of the major airlines could materially adversely affect the airline industry and, as a consequence, have a material adverse effect on our business, results of operations and financial condition.

During the year ended December 31, 2007, *Name Your Own Price*® hotel room nights from our five largest hotel suppliers accounted for approximately 34.9% of total *Name Your Own Price*® hotel room nights sold, and sales of airline tickets from our five largest and two largest airline suppliers accounted for approximately 83.9% and 39.9% of total airline tickets sold, respectively. As a result, we are currently substantially dependent upon the continued participation of these suppliers in our system in order to maintain and continue to grow our total gross profit.

Our arrangements with the hotel and airline suppliers that participate in our system — either *Name Your Own Price*® or price-disclosed service — generally do not require them to provide any specific quantity of airline tickets or hotel rooms, or to make tickets or rooms available for any particular route, in any geographic area or at any particular price. During the course of our business, we are in continuous dialogue with our major suppliers about the nature and extent of their participation in our system. The significant reduction on the part of any of our major suppliers of their participation in our system for a sustained period of time or their complete withdrawal could have a material adverse effect on our business, results of operations and financial condition.

With respect to our hotel suppliers, increased demand for hotel rooms may reduce the number of hotel rooms they sell through our service or increase the negotiated rates at which they are willing to provide availability. If hotel occupancy rates improve to the point that our hotel suppliers no longer place the same value on our distribution systems, such suppliers may reduce the number of hotel rooms they make available through priceline.com and/or our international operations. Similarly, while not dependent on certain hotel chains, the growth rates of our international operations are dependent upon increasing levels of well-priced, demand-based supply from their portfolio of hotel partners.

Many hotels use merchant arrangements with companies like ours to dispose of excess hotel rooms at wholesale rates. If hotels experience increased demand for rooms, they might reduce the number of rooms they make available through our merchant price-disclosed hotel service. The recent improvement in occupancy rates discussed above could cause hotels to reduce the number of hotel rooms they make available through our merchant price-disclosed hotel service.

In addition, certain hotels have begun initiatives to reduce margins received by third party intermediaries on retail merchant transactions, which is the primary method we employ to distribute retail hotel room reservations in the United States. Many hotels distribute rooms through their own websites and therefore might increase negotiated rates for merchant rate hotel rooms sold through our merchant price-disclosed hotel service, decreasing the margin available to us. While our merchant price-disclosed hotel agreements with our leading hotel suppliers provide for specified discounts, if one or more participating hotels were to require us to limit our merchant margins, upon contract renewal or otherwise, it could have a material adverse effect on our business, results of operations and financial condition.

With respect to our airline suppliers, the airline industry has experienced a shift in market share from full-service carriers to low-cost carriers that focus primarily on discount fares to leisure destinations and we expect this trend to continue. Some low-cost carriers, such as Southwest, have not historically distributed their tickets through us or other third-party intermediaries. In addition, certain airlines have significantly limited or eliminated sales of airline tickets through opaque channels, preferring to consistently show the lowest available price on their own website. Certain airlines have also reduced their domestic capacity, which could reduce the number of airline tickets available to our customers. If one or more participating airlines were to further limit or eliminate discounting through opaque channels and/or further reduce capacity, it could have a material adverse effect on our business, results of operations and financial condition.

Due to our dependence on the airline industry, we could be severely affected by changes in that industry, and, in many cases, we will have no control over such changes or their timing. Recent, there has been a great deal of speculation in the travel industry, as well as the national media, about potential mergers among major domestic airlines. If one of our major airline suppliers merges or consolidates with, or is acquired by, another company that either does not participate in the priceline.com system or that participates on substantially lower levels, the surviving company may elect not to participate in our system or to participate at lower levels than the previous supplier. For example, in September 2005, US Airways and America West merged. US Airways was a meaningful participant in our *Name Your Own Price*® system, but America West participated on a very limited basis. The resulting entity participates in our *Name Your Own Price*® system, but at much lower levels than US Airways' historical participation.

In addition, in the event that one of our major suppliers voluntarily or involuntarily declares bankruptcy and is subsequently unable to successfully emerge from bankruptcy, and we are unable to replace such supplier, our business would be adversely affected. To the extent other major U.S. airlines that participate in our system declare bankruptcy, they may be unable or unwilling to honor tickets sold for their flights. Our policy in such event would be 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*® airline tickets to our customers, however, we could experience a significant increase in demands for refunds or credit card charge backs from customers, which could materially and adversely affect our operations and financial results. In addition, because *Name Your Own Price*® customers do not choose the airlines on which they are to fly, the bankruptcy of a major U.S. airline or even the possibility of a major U.S. airline declaring bankruptcy could discourage customers from using our *Name Your Own Price*® system to book airline tickets.

The loss of any major airline participant in our *Name Your Own Price*® system could result in other major airlines electing to terminate their participation in the *Name Your Own Price*® system, which would further negatively impact our business, results of operations and financial condition. In addition, fewer independent suppliers reduces opacity and competition among suppliers. In such event, if we are unable to divert sales to other suppliers, our business, results of operations and financial condition may be adversely affected.

In addition, given the concentration of the airline industry, particularly in the domestic market, our competitors could exert pressure on other airlines not to supply us with tickets. Moreover, the airlines may attempt to establish their own buyer driven commerce service or participate or invest in other similar services.

With respect to our rental car suppliers, increased utilization (a common metric that measures rental car customer usage) may reduce the number of car reservations they sell through our service or increase the negotiated rates at which they are willing to provide car reservations. Like airline and hotel suppliers, rental car companies are focused on selling rental car reservations through their own sites, which reduces the amount of rental car reservations available to us. Furthermore, if one of our major rental car suppliers merges or consolidates with, or is acquired by, another company that either does not participate in the priceline.com system or that participates on substantially lower levels, the surviving

company may elect not to participate in our system or to participate at lower levels than the previous supplier. Finally, because rental car days are typically less expensive than airline tickets or hotel room nights, a reduction in retail rental car rates has a disproportionately adverse effect on sales of *Name Your Own Price*® rental car days since customers may be less likely to accept the trade-offs associated with that service.

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

We compete with both online and traditional sellers of the services we offer. The market for the services we offer is intensely competitive, and current and new competitors can launch new sites at a relatively low cost. In addition, the major online travel companies with which we compete have significantly greater financial resources and capital than we do. We may not be able to effectively compete with industry conglomerates such as Orbitz Worldwide, Sabre or Expedia, each of which have access to significantly greater and more diversified resources than we do.

We currently or potentially compete with a variety of companies with respect to each service we offer. With respect to our travel services, these competitors include, but are not limited to:

- Internet travel services such as Expedia, Hotels.com and Hotwire, which are owned by Expedia; Travelocity and lastminute.com, which are owned by the Sabre Group; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are currently owned by Orbitz Worldwide; laterooms and asiarooms owned by Tui Travel, and Gullivers, octopustravel, Superbreak, Venere, hotel.de, Hotel Reservation Service and Wotif;

- travel suppliers such as airlines, hotel companies and rental car companies, many of which have their own branded websites to which they drive business;

- large online portal and search companies, such as AOL (including AOL Travel), Yahoo! (including Yahoo! Travel) and Google;

- traditional travel agencies;

- online travel search sites such as Mobissimo.com, FareChase.com, Kayak.com and Kayak.com's recent acquisition, SideStep.com (each sometimes referred to as "meta-search") and travel research sites that have search functionality, such as TripAdvisor, Travelzoo and Cheapflights.com; and

- operators of travel industry reservation databases such as Galileo, Worldspan, L.P., Amadeus and Sabre.

Many airline, hotel and rental car suppliers, including suppliers with which we conduct business, are focusing on driving online demand to their own websites in lieu of third-party distributors such as us. Certain suppliers have attempted to charge additional fees to customers who book airline reservations through an online channel other than their own website. Furthermore, several low cost airlines, which are having increasing success in the marketplace, distribute their tickets exclusively through their own websites. Suppliers who sell on their own websites typically do not charge a processing fee, and, in some instances, offer advantages such as bonus miles or loyalty points, which could make their offerings more attractive to consumers than models like ours.

We potentially face competition from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic, including Amazon.com, AOL, MSN, Google.com and Yahoo!, which compete with us either directly or indirectly through affiliations with other e-commerce or off-line companies. We also compete with "meta-search" companies, which are companies that leverage their search technology to aggregate travel search results

across supplier, travel agent and other websites. For example, Yahoo! owns FareChase.com, a travel search-engine that searches for fares and hotel rates at travel supplier and third-party websites, and refers traffic to those sites, and AOL is party to a marketing and technology agreement, and holds a minority interest in, Kayak.com, another leading meta-search company. Other established search engine companies as well as start-ups are attempting to enter the online travel marketplace in this manner. If Yahoo!, Google or other portals decide to refer significant traffic to travel search engines, it could result in more competition from supplier websites and higher customer acquisition costs for third-party sites such as ours. In addition, because we advertise on certain meta-search sites, a loss of business for competitive reasons could result. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

Many of our current and potential competitors, including Internet directories, search engines and large traditional retailers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, personnel, technical and other resources than priceline.com. Some of these competitors may be able to secure services on more favorable terms than we can. In addition, many of these competitors may be able to devote significantly greater resources to:

- marketing and promotional campaigns;
- attracting traffic to their websites;
- attracting and retaining key employees;
- securing vendors and supply; and
- website and systems development.

Increased competition could result in reduced operating margins, loss of market share and damage to our brand. There can be no assurance that we will be able to compete successfully against current and future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition.

Our business could be negatively affected by changes in search engine algorithms and dynamics.

We utilize Internet search engines, principally through the purchase of travel-related keywords, to generate traffic to our websites. Our international operations, in particular, rely to a significant extent upon business from search engines such as Google. Search engines such as Google frequently update and change the logic which determines the placement and display of results of a user's search, such that the placement of links to our sites, and particularly those of our international operations and their affiliates, can be negatively affected. In a similar way, a significant amount of our international business is directed to our own websites through participation in pay-per-click advertising campaigns on Internet search engines whose pricing and operating dynamics can experience rapid change commercially, technically and competitively. If a major search engine, such as Google, changes its algorithms in a manner that negatively affects the search engine ranking of our brands or our third-party distribution partners or changes its pricing, operating or competitive dynamics in a negative manner, our business, results of operations and financial condition would be adversely affected.

We are exposed to fluctuations in currency exchange rates.

As a result of our acquisitions of our international operations, we are conducting a significant and growing portion of our business outside the United States and are reporting 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 operations are translated from local currency into U.S. dollars upon consolidation. For example, our international operations contributed approximately $372.6 million to our revenues for the year ended December 31, 2007, which compares to $182.7 million for the same period in 2006. Approximately $30.3 million of this increase is due to fluctuations in currency exchange rates. If the U.S. dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, net revenues, operating expenses, and net income or loss. Similarly,

our net assets, net revenues, operating expenses, and net income or loss will decrease if the U.S. dollar strengthens against local currency. Additionally, transactions denominated in currencies other than the functional currency may result in gains and losses that may adversely impact our results of operations.

We may be unable to generate sufficient cash to meet future debt, purchase of minority interest and earnout obligations.

As of December 31, 2007, we have $570 million of convertible senior notes outstanding. Based upon the closing price of our common stock during the measurement periods provided for by our convertible debt during the three months ended December 31, 2007, the contingent conversion thresholds for each of the notes were exceeded. As a result, all of our outstanding notes are convertible at the option of the holder as of December 31, 2007, and, accordingly, have been classified as a current liability in the Consolidated Balance Sheet as of that date. While many factors contribute to the likelihood that the holders of the notes will elect to convert all or a portion of the notes, as the price of our common stock increases, the likelihood of conversion also increases. If holders elect to convert, we would be required to settle the principal amount of the notes in cash and the conversion premium in cash or shares of common stock.

In connection with our acquisitions of Booking.com B.V. in July 2005 and Booking.com Limited in September 2004 and the reorganization of our international operations, key managers of Booking.com B.V. and Booking.com Limited purchased shares of priceline.com International. The holders of the minority interest in priceline.com International have the right to put their shares to us in 2008 at a purchase price reflecting the fair market value of the shares at the time of the exercise of the put right (see Note 15 to our Consolidated Financial Statements). The estimated aggregate fair value of the minority interest in priceline.com International subject to put rights is estimated to be approximately $95 million at December 31, 2007, including unvested restricted stock and restricted stock units.

Pursuant to the purchase agreement relating to our acquisition of the Agoda Companies, we may be required to pay, in 2011, certain shareholders of the Agoda Companies an earnout of up to $141.6 million in cash if the Agoda Companies achieve certain performance targets from January 1, 2008 through December 31, 2010.

We would likely fund these obligations with existing cash and cash equivalents, short-term investments, borrowings under our revolving credit facility, common stock issuances and/or additional borrowings. It is possible that we may not have sufficient funds or may be unable to arrange for additional financing which would cause us to be in default under our indentures or revolving credit facility and/or in breach of purchase agreement obligations relating to priceline.com International or the Agoda Companies, and our business, results of operations and financial condition would be adversely affected.

The repayment of our $570 million Convertible Senior Notes could result in a substantial decrease in our net interest income.

We incur interest expense with respect to our convertible senior notes at annual percentage rates that range between 0.50% and 2.25%. Because we currently maintain and have maintained significant cash and cash equivalents, short-term investment and long-term investment balances on our balance sheet (approximately $510.3 million as of December 31, 2007) and because the interest rates that we earn on those balances are significantly in excess of the interest rates that we pay on our convertible senior notes, we are generating significant interest income net of our interest expense. If we were to use our cash and investment balances to repay our convertible senior notes, or if we are unable to refinance our convertible senior notes with new indebtedness bearing interest at rates similar to our convertible senior notes, then our earnings could be significantly negatively impacted by a decrease in net interest income. While many factors contribute to the likelihood that the holders of the notes will elect to convert all or a portion of the notes, as the price of our common stock increases, the likelihood of conversion also increases.

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 as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

The secure transmission of confidential information over the Internet is essential in maintaining consumer and supplier confidence in the priceline.com services. Substantial or ongoing security breaches whether instigated internally or externally on our system or other Internet based systems could significantly harm our business. We currently require customers 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. It is possible that advances in computer circumvention capabilities, new discoveries or other developments, including our own acts or omissions, could result in a compromise or breach of customer transaction data.

We incur substantial expense to protect against and remedy security breaches and their consequences. However, we cannot guarantee that our security measures will prevent security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal customer information or transaction data, proprietary information or cause significant interruptions in our operations. For instance, several major websites, including websites operated by us, have experienced interruptions, which could be significant, as a result of improper direction of excessive traffic to those sites, and computer viruses have substantially disrupted e-mail and other functionality in a number of countries, including the United States. Security breaches also 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. Security breaches could also cause customers and potential customers to lose confidence in our security, which would have a negative effect on the value of our brand. Our insurance policies carry low coverage limits, which may not be adequate to reimburse us for losses caused by security breaches.

Companies that we have acquired, such as our international operations, and that we may acquire in the future, may employ security and networking standards at levels we find unsatisfactory. The process of enhancing infrastructure to attain improved security and network standards may be time consuming and expensive and may require resources and expertise that are difficult to obtain. Such acquisitions increase the number of potential vulnerabilities, and can cause delays in detection of an attack, as well as the timelines of recovery from any given attack. Failure to raise any such standards that we find unsatisfactory could expose us to security breaches of, among other things, personal customer data and credit card information that would have an adverse impact on our business, results of operations and financial condition.

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, therefore, the priceline.com service as a means of conducting commercial transactions. Additionally, security breaches at the third-party, supplier or distributor systems upon which we rely 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.

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 Commission of the European Union through its Data Protection Directive and variations of that directive in the member states of the European Union. 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. 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 and financial condition.

In addition, in the aftermath of the terrorist attacks of September 11, 2001 in the United States, government agencies have been contemplating or developing initiatives to enhance national and aviation security, such as the Transportation Security Administration's Computer-Assisted Passenger Prescreening System, known as CAPPS II. These initiatives may result in conflicting legal requirements with respect to data handling. As privacy and data protection has become a more sensitive issue, we may also become exposed to potential liabilities as a result of differing views on the privacy of travel data. Travel businesses have also been subjected to investigations, lawsuits and adverse publicity due to allegedly improper disclosure of passenger information. These and other privacy developments that are difficult to anticipate could adversely impact our business, results of operations and financial condition.

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 U.S. and Europe are critical to the overall management of the company. In addition, because the value of company equity grants and, in the case of our European senior management, their minority ownership interest, which is subject to repurchase in March and August of 2008, has increased substantially as our share price has increased, it may become more difficult to retain senior managers over time as they realize the value of these equity interests. We cannot ensure that we will 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 and other technology professionals, is intense both in the U.S. and abroad. With the recent success of our international business and the increased profile of the Booking.com business and brand, competitors have increased their efforts to hire our international employees. Further, as we continue to grow our international operations, we are seeking to rapidly hire a wide range of employees in different — and often constrained — job markets. 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.

Our expansion places a significant strain on our management, technical, operational and financial resources.

We have rapidly and significantly expanded our international operations and anticipate expanding further to pursue growth of our service offerings and customer base. For example, the number of our employees worldwide has grown from less than 700 in the first quarter of 2007, to approximately 1,324 as of February 15, 2008, which growth is almost entirely comprised of hires by our international operations . Such expansion increases the complexity of our business and places a significant strain on our management, operations, technical performance, financial resources and internal financial control and reporting functions.

There can be no assurance that we will be able to manage our expansion effectively. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ personnel in multiple geographic locations. 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 harm our business.

Capacity constraints and system failures could harm our business.

We rely on certain third party computer systems and third party service providers, including the computerized central reservation systems of the airline, hotel and rental car industries to satisfy demand for airline tickets and domestic hotel room and rental car reservations. In particular, our domestic travel business is substantially dependent upon the computerized reservation systems of operators of global distribution systems for the travel industry. Any interruption in these third party services systems or deterioration in their performance could prevent us from booking airline, hotel and rental car reservations and have a material adverse effect on our business. 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 of such third parties 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, results of operations and financial condition.

We also depend upon Paymentech to process our U.S. credit card transactions. If Paymentech were wholly or partially compromised, our cash flows could be disrupted until such a time as a replacement process could be put in place with a different vendor. As we add complexity to our systems infrastructure by adding new suppliers and distribution, our total system availability could decline and our results could suffer.

A substantial amount of our computer hardware for operating our services is currently located at the facilities of SAVVIS in New Jersey, AT&T in New York City, Equinix Europe Ltd. in London, England, Global Switch Amsterdam B.V. and TelecityRedbus in the Netherlands. 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 and similar misconduct. Despite any precautions we may take, the occurrence of any disruption of service due to any such misconduct, a natural disaster or other unanticipated problems at the SAVVIS facility, the AT&T facility, the Equinix Europe Ltd. facility or the TelecityRedbus and Global Switch Amsterdam B.V. facility could result in lengthy interruptions in our services. In addition, the failure by SAVVIS, Verizon, AT&T, Equinix Europe Ltd., Colt Telecom Group Limited, Verizon Business B.V., or TrueServer B.V. to provide our required data communications capacity could result in interruptions in our service. Any system failure that causes an interruption in service or decreases the responsiveness of our services could impair our reputation, damage our brand name and have a material adverse effect on our business, results of operations and financial condition.

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 user 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 and may cause some users to switch to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently harmed. We have been taking steps to increase the reliability and redundancy of our system. 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 the priceline.com service, including transaction processing, order management and financial systems. If the number of users of 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 do not know whether we will 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 repair.

If our systems cannot be expanded to cope with increased demand or fails to perform, we could experience:

- unanticipated disruptions in service;
- slower response times;
- decreased customer service and customer satisfaction; or
- delays in the introduction of new services,

any of which could impair our reputation, damage our brands and materially and adversely affect our revenues. While we do maintain redundant systems and hosting services for some of our business, 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 losses that may occur.

Companies that we have acquired, such as our international operations, and that we may acquire in the future, may present known or unknown capacity/stability or other types of system challenges. The process of enhancing infrastructure to attain improved capacity/scalability and other system characteristics may be time consuming and expensive and may require resources and expertise that are difficult to obtain. Such acquisitions increase potential downtime, customer facing problems and compliance problems. Failure to successfully make any such improvements to such infrastructures could expose us to potential capacity, stability, and system problems that would have an adverse impact on our business, results of operations and financial condition.

We have integrated the majority of our international agency hotel offerings into a single back-office extranet system operated by Booking.com B.V., in order to allow customers of both Booking.com B.V. and Booking.com Limited to access hotels which may have previously been available only through either Booking.com B.V. or Booking.com Limited. Because all of our international operations' agency hotel offerings are therefore on one platform, in the event that the extranet operated by Booking.com B.V. experiences a system failure, our international operations could be unable to generate hotel bookings, which would have a material adverse effect on our business, results of operations and financial condition.

Uncertainty regarding state and local taxes.

On an ongoing basis, we conduct a review and interpretation of the tax laws in various states and other jurisdictions relating to the payment of state and local hotel occupancy and other related taxes. In connection with our review, we have met and had discussions with taxing authorities in certain jurisdictions but the ultimate resolution in any particular jurisdiction cannot be determined at this time. Currently, hotels collect and remit hotel occupancy and related taxes to the various tax authorities based on the amounts collected by the hotels. Consistent with this practice, we collect a tax recovery charge on the underlying cost of the hotel room night from customers and are billed by the hotel operators for taxes the hotel operators pay to the appropriate tax authorities. As discussed above, several jurisdictions have initiated lawsuits indicating the position that sales tax or hotel occupancy tax is applicable to the differential between the price paid by a customer for our service and the amount charged by the hotel for the underlying room. Historically, we have not collected taxes on this differential. Additional state and local jurisdictions could assert that we are subject to sales or hotel occupancy taxes on this differential and could seek to collect such taxes, either retroactively or prospectively or both. Such actions may result in substantial liabilities for past and/or future sales and could have a material adverse effect our business and results of operations. To the extent that any tax authority succeeds in asserting that any such tax collection responsibility exists, it is likely that, with respect to future transactions, we would collect any such additional tax obligation from our customers, which would have the effect of increasing the cost of hotel room reservations to our customers and, consequently, could reduce hotel reservation transactions. We will continue to assess the risks of the potential financial impact of additional tax exposure, and to the extent appropriate, we will reserve for those estimates of liabilities.

Current economic conditions in the United States are triggering active consideration on ways to generate additional tax revenues by the federal, state and local governments. We cannot predict what changes in tax law or interpretations of such laws may be adopted or assure that such changes or interpretations would not materially impact our business.

Acquisitions could result in operating difficulties.

As part of our business strategy, in September 2004, we acquired Booking.com Limited, in July 2005, Booking.com B.V. and, in November 2007, the Agoda Companies. We may enter into additional business combinations and acquisitions in the future. Acquisitions may result in dilutive issuances of equity securities, use of our cash resources, incurrence of debt and amortization of expenses related to intangible assets acquired. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. The acquisitions of Booking.com B.V., Booking.com Limited, and the Agoda Companies were accompanied by a number of risks, including, without limitation:

- the need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisitions may have lacked such controls, procedures and policies;

- the difficulty of assimilating the operations and personnel of Booking.com Limited, which are principally located in Cambridge, England, Booking.com B.V., which are principally located in Amsterdam, The Netherlands, and the Agoda Companies, which are principally located in Singapore and Bangkok, Thailand, with and into our operations, which are headquartered in Norwalk, Connecticut;

- the potential disruption of our ongoing business and distraction of management;

- the difficulty of incorporating acquired technology and rights into our services and unanticipated expenses related to such integration;

- the failure to further successfully develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;

- the impairment of relationships with customers of Booking.com B.V., Booking.com Limited and the Agoda Companies or our own customers as a result of any integration of operations;

- the impairment of relationships with employees of Booking.com B.V., Booking.com Limited and the Agoda Companies or our own business as a result of any integration of new management personnel;

- the potential unknown liabilities associated with Booking.com B.V., Booking.com Limited and the Agoda Companies.

We may experience similar risks in connection with any future acquisitions. We may not be successful in addressing these risks or any other problems encountered in connection with the acquisitions of Booking.com B.V., Booking.com Limited or the Agoda Companies, or that we could encounter in future acquisitions, which would harm our business or cause us to fail to realize the anticipated benefits of our acquisitions. As of December 31, 2007, we had approximately $434 million assigned primarily to the intangible assets and goodwill of Booking.com B.V., Booking.com Limited and the Agoda Companies, and therefore, the occurrence of any of the aforementioned risks could result in a material adverse impact, including an impairment of these assets, which could cause us to have to record a charge for impairment. Any such charge could adversely impact our operating results, which would cause our stock price to decline significantly.

We may not be able to keep up with rapid technological and other 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 emerging nature of the Internet and the apparent need of companies from many industries to offer Internet based services. 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 improve the performance, features and reliability of our service in response to competitive service offerings and the evolving demands of the marketplace. 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.

The Financial Accounting Standards Board ("FASB") is considering accounting rule changes that would significantly impact the accounting for our convertible debt.

During the third quarter 2007, FASB issued for comment a proposed FASB Staff Position No. APB 14-a, "Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-a") that would significantly impact the accounting for convertible debt. The FSP would require cash settled convertible debt, such as our $570 million aggregate principal amount of convertible senior notes that are currently outstanding, to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component would be 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 would be recorded as a debt discount and amortized to interest expense over the life of the bond. Although FSP APB 14-a would have no impact on our actual past or future cash flows, it would require us to record a significant amount of non-cash interest expense as the debt discount is amortized. As a result, there would be a material adverse impact on our results of operations and earnings per share. In addition, if our convertible debt is redeemed or converted prior to maturity, any unamortized debt discount would result in a loss on extinguishment. FASB is expected to begin its redeliberations of the guidance in the proposed FSP in February 2008.

FASB's Emerging Issues Task Force ("EITF") is reviewing Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock." This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock. Under current US GAAP, the conversion options embedded in our convertible debt are considered to be indexed to our stock. If certain of the views being discussed by the EITF are adopted, we may be required to account for our embedded conversion options as derivatives and record them on our balance sheet as a liability with subsequent fair value changes recorded in the income statement. Although EITF 07-5 would have no impact on our actual past or future cash flows, it would require us to record a significant liability on our consolidated balance sheet. Subsequent fair value adjustments could result in significant charges or credits recorded in our consolidated statement of operations. As a result, there would be a material adverse impact on our financial position and results of operations and earnings per share. The EITF is expected to continue discussing EITF 07-5 at future meetings.

We rely on the value of the priceline.com and Booking.com brands, along with others, and the costs of maintaining and enhancing our brand awareness are increasing.

We believe that maintaining and expanding the priceline.com brand, and other owned brands, including Booking.com, Active Hotels, Agoda, Lowestfare.com, Rentalcars.com, Breezenet.com, MyTravelGuide.com and Travelweb, are important aspects of our efforts to attract and expand our user and advertiser base. As our larger competitors spend increasingly more on advertising, we are required to spend more in order to maintain our brand recognition. In addition, we have spent considerable money and resources to date on the establishment and maintenance of the priceline.com brands, and we will

continue to spend money on, and devote resources to advertising, marketing and other brand building efforts to preserve and enhance consumer awareness of the priceline.com brands. We may not be able to successfully maintain or enhance consumer awareness of the priceline.com 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 customer awareness of the priceline.com brands in a cost-effective manner, our business, results of operations and financial condition would be adversely affected.

Our outstanding convertible senior notes could result in substantial shareholder dilution.

Our convertible senior notes are convertible into shares of our common stock if certain specified conditions are met. All of our convertible notes are currently convertible. Upon conversion, the holder will receive cash for the principal amount of the note and cash or shares of our common stock or a combination of cash and shares of our common stock for the conversion value in excess of such principal amount. If our stock trades above the conversion prices of the outstanding convertible notes, our diluted share count will increase by the net number of shares that would become issuable to the holders of our outstanding convertible notes and, as a consequence, have a dilutive impact on net income per share. As an example, at stock prices of $40 per share, $80 per share, $100 per share and $150 per share, our diluted share count would include approximately 0.1 million, 7.2 million, 8.6 million and 10.5 million equivalent shares, respectively, related to the conversion premium on our convertible debt (excluding the offsetting impact of the Conversion Spread Hedges described in Note 12 to the Consolidated Financial Statements). The Conversion Spread Hedges increase the effective conversion price of the 2011 Notes and the 2013 Notes from $40.38 to $50.47 per share, and reduce the dilution upon conversion of the 2011 Notes and the 2013 Notes. Since the impact of the Conversion Spread Hedges is anti-dilutive it is excluded from the calculation of net income per share under GAAP until they are exercised upon maturity.

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

We commenced recording a U.S. tax provision in the third quarter of 2005 upon reversing of a portion of our valuation allowance on our deferred tax assets. Due to our significant net operating loss carryforwards, we do not expect to pay cash taxes on our U.S. federal taxable income tax for the foreseeable future. We expect to make cash payments for U.S. alternative minimum tax and for certain international taxes. We expect that in 2008 and beyond, our international operations will grow their pretax income at higher rates than the U.S and therefore it is our expectation that our cash tax rate and cash tax payments will increase as our international business generates an increasing share of our pretax income.

The unit profitability of our airline ticket business has declined and could continue to decline, as we may be subject to, among other things, competitive pressure and loss or reduction of global distribution system fees.

In recent quarters, the amount of profit we make per airline ticket sold has declined and could continue to decline as we, among other things, experience pressure from suppliers to reduce our profit, strive to remain competitive with other online travel agencies and continue to be subject to reduction of global distribution system, or GDS, fees paid to us. Historically, we have relied on fees paid to us by GDSs for travel bookings made through GDSs for a portion of our gross profit and a substantial portion of our operating income. We rebate certain GDS costs to certain suppliers (e.g., airlines, hotels, etc.) in exchange for contractual considerations such as those relating to pricing and availability, and expect to continue to do so in the future. During 2006, most agreements between GDSs and the major domestic airlines expired, and most airlines have negotiated new agreements with reduced distribution costs for the airlines that went into effect on or around September 1, 2006. The structure of these new agreements, along with airline pressure on us to operate under the new structures, requires us to reduce our aggregate compensation and book through lower cost channels to receive airlines' full content and avoid airline service fees. We have entered into new agreements with a number of airlines to obtain access to airline content, and are in continuing discussions with others to obtain similar access. If we were denied access

to airlines' full content or had to impose service fees on our airline tickets, it could have a material adverse effect on our business, results of operations and financial condition.

Additionally, some travel suppliers are encouraging third-party travel intermediaries, such as us, to develop technology to bypass the traditional GDSs, such as enabling direct connections to the travel suppliers or using alternative global distribution methods recently developed by new entrants to the global distribution marketplace, such as G2 Switchworks Corp. Such new entrants propose using technology that is less complex than traditional global distribution systems, and that enables the distribution of airline tickets in a manner that is more cost-effective to the airline suppliers. To this end, in 2006, we entered into an agreement with G2 Switchworks for the provision of GDS services. In addition, to further reduce our dependence on Worldspan, L.P., in 2006, we entered into an agreement for the provision of GDS services with Sabre Inc. Development of the technology to connect to such alternative GDSs, or to enable direct connections to travel suppliers, requires the use of information technology resources and could cause us to incur additional operating expenses, increase the frequency/duration of system problems and delay other projects.

We face risks related to our intellectual property.

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. If we are not successful in protecting our intellectual property, it could have a material adverse effect on our business, results of operations and financial condition.

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

- any patent can be successfully defended against challenges by third parties;
- pending patent applications will result in the issuance of patents;
- competitors or potential competitors of priceline.com 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 which may diminish the value of or invalidate an issued patent;
- a third party will not have or obtain one or more patents that prevent us from practicing features of our business or require us to pay for a license to use those features; or
- our operations do not or will not infringe valid, enforceable patents of third parties.

There has been recent discussion in the press regarding the examination and issuance of so called "business method" patents. As a result, the United States Patent and Trademark Office has indicated that it intends to intensify the review process applicable to such patent applications. The new procedures are not expected to have a direct effect on patents already granted. We cannot anticipate what effect, if any, the new review process will have on our pending patent applications. In addition, there has been recent discussion in various federal court proceedings regarding the patentability and validity of so called "business method" patents. The Court of Appeals for the Federal Circuit, in a recent order in *In re Bilski*, has questioned whether it should review its earlier decision affirming the patentability of so-called business method patents in *State Street Bank v. Signature Financial*. We cannot anticipate what effect, if any, any new federal court decision will have on our issued patents or pending patent applications.

We pursue the registration of our trademarks and service marks in the U.S. and internationally. However, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are made available online. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation.

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. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time consuming, and has and is likely to continue to 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 business is exposed to risks associated with credit card fraud and charge backs.

To date, 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 transactions, we may be held liable for accepting fraudulent credit cards on our website as well as other payment disputes with our customers. Additionally, we are 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 charge backs. If we are unable to combat the use of fraudulent credit cards on our website, our business, results of operations and financial condition could be materially adversely affected.

Fluctuations in our financial results make quarterly comparisons and financial forecasting difficult.

Our revenues and operating results have varied significantly from quarter to quarter because our business experiences seasonal fluctuations, which reflect seasonal trends for the travel services offered by our websites. Traditional leisure travel bookings in the United States are higher in the second and third calendar quarters of the year as consumers take spring and summer vacations. In the first and fourth quarters of the calendar year, demand for travel services in the United States generally declines and the number of bookings flattens. Travel revenues in Europe, on the other hand, have been higher in the third and fourth quarters than in the first and second quarters. Furthermore, prior to introducing a retail travel option to our customers, substantially all of our business was conducted under the *Name Your Own Price*® system and accordingly, because those services are non-refundable in nature, we recognize travel revenue at the time a booking was generated. We recognize revenue generated from our retail hotel service, however, including our international operations, at the time that the customer checks out of the hotel. As a result, we have seen and expect to continue to see, that a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized until future quarters. This could result in a disproportionate amount of our annual earnings being recognized in later quarters.

Our results may also be affected by seasonal fluctuations in the supply made available to us by airlines, hotels and rental car suppliers. Our revenues and operating results may continue to vary significantly from quarter to quarter because of these factors. As a result, quarter-to-quarter comparisons of our revenues and operating results may not be meaningful. In addition, due to our limited operating history, a relatively new and unproven business model and an uncertain environment in the travel industry, it may be difficult to predict our future revenues or results of operations.

Because of these fluctuations and uncertainties, our operating results may fail to meet the expectations of securities analysts and investors. If this happens, the trading price of our common stock would almost certainly be materially adversely affected.

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:

- quarterly variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in our capital structure;
- changes in market valuations of other Internet or online service companies;
- announcements of technological innovations or new services by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major supplier participant, such as an airline or hotel chain;
- 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 proceedings against us or adverse developments in pending proceedings;
- occurrences of a significant security breach;
- additions or departures of key personnel; and
- stock market price and volume fluctuations.

Sales of a substantial number of shares of our common stock 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 further, 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, also may decrease the market price of our common stock. Negative market conditions could adversely affect our ability to raise additional capital.

We are defendants in securities class action litigations. In the past, securities class action litigation often has 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.

We are party to legal proceedings which, if adversely decided, could materially adversely affect us.

We are a party to the legal proceedings described in Note 17 to our Consolidated Financial Statements. The defense of the actions described in Note 17 may increase our expenses and an adverse outcome in any of such actions could have a material adverse effect on our business, results of operations and financial condition.

Regulatory and legal uncertainties could harm our business.

The services we offer through the priceline.com service are regulated by federal and state governments. Our ability to provide such services is and will continue to be affected by such regulations. The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by courts 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, results of operations and financial condition. See "Uncertainty regarding state and local taxes."

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our executive, administrative, operating offices and network operations center are located in approximately 92,000 square feet of leased office space located in Norwalk, Connecticut. Booking.com Limited leases approximately 11,000 square feet of office space primarily in Cambridge, England. Booking.com B.V. leases approximately 85,000 square feet of office space primarily in Amsterdam, Netherlands. We also lease office space in 13 other countries in support of our international operations. We do not own any real estate as of February 15, 2008.

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

Litigation Related to Hotel Occupancy and Other Taxes

Statewide Putative Class Actions

A number of cities and counties have filed putative class actions on behalf of themselves and other allegedly similarly situated cities and counties within the same respective state against the Company and other defendants, including, but not in all cases, Lowestfare.com Incorporated and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Travelport, Inc. (f/k/a Cendant Travel Distribution Services Group, Inc.); Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. Each complaint alleges, among other things, that the defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Los Angeles v. Hotels.com, Inc., et al.: On December 30, 2004, a putative class action complaint was filed in the Superior Court for the County of Los Angeles by the City of Los Angeles on behalf of itself and an alleged class of California cities, counties and other municipalities that have enacted occupancy taxes. In addition to the tax claims, the complaint also asserts unfair competition claims under California Business and Professions Code § 17200, et seq. ("Section 17200"). On August 31, 2005, the City of Los Angeles filed an amended complaint adding a claim for a declaratory judgment. On September 26, 2005, the court sustained the defendants' demurrers on grounds of improper joinder of defendants and claims, and therefore, dismissed the amended complaint, with leave to file a second amended complaint. On February 8, 2006, the City of Los Angeles filed a second amended complaint that asserts the same claims but includes additional allegations of fact. On March 27, 2006, at the direction of the court, the defendants filed renewed demurrers to the second amended complaint on grounds of improper joinder of defendants and claims. On March 31, 2006, the defendants filed a petition to coordinate this matter with the City of San Diego case (discussed below). On July 12, 2006, that petition was granted, and, as a result, this case and the City of San Diego case will now proceed in the Superior Court of Los Angeles. On January 17, 2007, the defendants filed demurrers to the City of Los Angeles' second amended complaint on all issues other than misjoinder of defendants and claims. On March 1, 2007, the court denied defendants' previously-filed demurrers on grounds of improper joinder of defendants and claims. On March 2, 2007, the City of Los Angeles filed a third amended complaint. On April 11, 2007, the defendants filed renewed demurrers to the third amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's third amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Fairview Heights v. Orbitz, Inc., et al.: On October 5, 2005, a putative class action complaint was filed in the Circuit Court, Twentieth Judicial Circuit, St. Clair County, Illinois, by the City of Fairview Heights on behalf of itself and a putative class of Illinois taxing authorities that are allegedly authorized to impose a tax on the business of renting hotel rooms. In addition to the tax claims, the complaint also asserts claims for violation of the Illinois Consumer Fraud and Deceptive Practices Act, 815 ILCS 505/1, similar laws in other states, conversion and unjust enrichment. On November 28, 2005, the Company and certain other defendants removed this action to the United States District Court for the Southern District of Illinois. On January 17, 2006, the defendants moved to dismiss the complaint. On February 10, 2006, the City of Fairview Heights moved to remand this action to state court. On July 12, 2006, the court granted defendants' motion to dismiss all claims other than the tax claim, denied defendants' motion to dismiss the tax claim, and denied plaintiff's motion to remand. On August 1, 2007, the City of Fairview Heights moved for class certification. That motion is pending.

City of Rome, Georgia, et al., v. Hotels.com, L.P., et al.: On November 18, 2005, a putative class action complaint was filed in the United States District Court for the Northern District of Georgia by the City of Rome, Hart County and the City of Cartersville on behalf of themselves and a putative class of Georgia cities, counties and governments which have enacted transient occupancy taxes and/or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of Georgia's Uniform Deceptive and Unfair Trade Practices Act, conversion, unjust enrichment, a constructive trust and a declaratory judgment. On February 6, 2006, the Company and certain other defendants moved to dismiss the complaint. On May 8, 2006, the court granted defendants' motion to dismiss all claims relating to the Georgia sales and use tax and denied defendants' motion to dismiss the excise tax claims. The plaintiffs filed an amended complaint on June 7, 2006 naming additional plaintiffs. On February 9, 2007, the defendants moved for summary judgment on the plaintiffs' claims for plaintiffs' failure to exhaust the administrative procedures required by Georgia law and plaintiffs' respective ordinances. On May 10, 2007, the court denied the defendants' motion but concluding that plaintiffs were required to estimate, assess and attempt to collect the taxes at issue. The court stayed further litigation to permit plaintiffs to comply with those administrative procedures. Since May 10, 2007, certain of the plaintiffs have sent the Company and other defendants notices of deficiency and requests for reports regarding hotel

reservation transactions in their respective jurisdictions, to which the Company and other defendants have responded.

Pitt County v. Hotels.com, L.P., et al.: On December 1, 2005, a putative class action complaint was filed in the North Carolina General Court of Justice, Superior Court Division by Pitt County on behalf of itself and a putative class of North Carolina political subdivisions that impose occupancy taxes. In addition to the tax claims, the complaint also asserts claims for violation of North Carolina General Statute § 75-1, et seq., conversion, a constructive trust and a declaratory judgment. On February 13, 2006, the defendants removed this action to the United States District Court for the Eastern District of North Carolina. On March 13, 2006, the defendants moved to dismiss the complaint. On March 29, 2007, the court denied defendants' motion to dismiss the complaint. On April 13, 2007, the defendants moved for reconsideration of that decision or, in the alternative, interlocutory appeal. On August 13, 2007, the court granted defendants' motion for reconsideration of the court's prior order denying the defendants' motion to dismiss, and dismissed the action in its entirety. On September 6, 2007, Pitt County filed a notice of appeal of that decision to the United States Court of Appeals for the Fourth Circuit. That appeal is pending.

City of San Antonio, Texas v. Hotels.com, L.P., et al.: On May 8, 2006, a putative class action complaint was filed in the United States District Court for the Western District of Texas, San Antonio Division, by the City of San Antonio on behalf of itself and putative classes of Texas municipalities. In addition to the tax claims, the complaint also asserts claim for conversion and a declaratory judgment. On June 30, 2006, the Company and other defendants moved to dismiss the complaint. On August 28, 2006, the plaintiff moved for class certification. Following briefing of the motion to dismiss and motion for class certification, on October 30, 2006, the plaintiff filed a first amended complaint that limited the putative classes of Texas municipalities to 175 specifically enumerated municipalities that plaintiff alleges to have hotel occupancy tax ordinances similar to that of the plaintiff. On March 21, 2007, the court denied defendants' motion to dismiss the City of San Antonio's amended complaint. On May 16 and 17, 2007, the court conducted a hearing on the City of San Antonio's motion for class certification. That motion remains pending. On September 7, 2007, the defendants filed a motion for reconsideration of the court's March 21, 2007 order denying the defendants' motion to dismiss, and that motion was denied on October 1, 2007.

Lake County Convention and Visitors Bureau, Inc. and Marshall County v. Hotels.com, L.P., et al.: On June 12, 2006, a putative class action was filed in the United States District Court for the Northern District of Indiana, Hammond Division, by the Lake County Convention and Visitors Bureau and Marshall County on behalf of themselves and a putative class of Indiana counties, convention and visitors bureaus and any other local governments which have enacted or benefit from taxes on innkeepers. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, and breach of fiduciary duties. On November 3, 2006, the Company and other defendants moved to dismiss the complaint. That motion is pending.

City of Columbus, et al. v. Hotels.com, L.P., et al.: On August 8, 2006, a putative class action complaint was filed in the United States District Court for the Southern District of Ohio by the cities of Columbus and Dayton on behalf of themselves and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, money had and received, conversion, a constructive trust and a declaratory judgment. On September 25, 2006, the Company and other defendants moved to dismiss the complaint. On September 27, 2006, the Company and other defendants moved to transfer the case to the United States District Court for the Northern District of Ohio, where the *City of Findlay* case (discussed below) is pending. On January 8, 2007, the Magistrate Judge issued a report and recommendation that the case be transferred to the Northern District of Ohio. Plaintiffs objected to the Magistrate Judge's report and recommendations. On July 10, 2007, the United States District Court for the Southern District of Ohio transferred the case to the United States District Court for the Northern District of Ohio. On July 23, 2007, the court in the Northern District of Ohio granted defendants' motion to dismiss the plaintiffs'

Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims, adopting the reasoning of the court's opinion on the motion to dismiss in the *City of Findlay* case. On August 31, 2007, the defendants answered the complaint. On November 5, 2007, the parties jointly moved to consolidate the *City of Columbus* action with the *City of Findlay* action for pre-trial purposes, and that motion was granted on November 6, 2007. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion is pending.

Louisville/Jefferson County Metro Government v. Hotels.com, L.P., et al.: On September 21, 2006, a putative class action was filed in the United States District Court for the Western District of Kentucky by the Louisville/Jefferson County Metro Government on behalf of itself and a putative class of Kentucky cities, counties and townships that have enacted transient room taxes. In addition to the tax claims, the complaint also asserts claims for conversion, money had and received, unjust enrichment, a constructive trust, and a declaratory judgment. On December 15, 2006, the plaintiff moved to amend the complaint to make certain changes to the identity of the defendants. That motion was granted, and, on January 8, 2007, plaintiff filed its amended complaint. On December 22, 2006, the defendants moved to dismiss the original complaint, and, on January 17, 2007, renewed their motion to dismiss with respect to the amended complaint. On August 10, 2007, the court denied the defendants' motion to dismiss. On September 13, 2007, the defendants answered. On October 26, 2007, the defendants filed a motion for reconsideration of the court's order denying the defendants' motion to dismiss, or, in the alternative, certification of interlocutory appeal to the Kentucky Supreme Court or the United States Court of Appeals for the Sixth Circuit. On November 9, 2007, the plaintiff moved to strike the defendants' motion for reconsideration. Both motions are pending. The plaintiff has stated its intent to seek to amend its amended complaint to withdraw its class allegations.

County of Nassau, New York v. Hotels.com, LP, et al.: On October 24, 2006, a putative class action was filed in the United States District Court for the Eastern District of New York by Nassau County on behalf of itself and a putative class of New York cities, counties and other local governmental entities that have imposed hotel taxes since March 1, 1995. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment and a constructive trust. On January 31, 2007, the defendants moved to dismiss the complaint. On August 17, 2007, the court granted the defendants' motion to dismiss the complaint for the County of Nassau's failure to exhaust its mandatory administrative procedures for tax collection. On September 12, 2007, the County of Nassau filed a notice of appeal of that order to the United States Court of Appeals for the Second Circuit. That appeal is pending.

City of Fayetteville v. Hotels.com, L.P., et al.: On February 28, 2007, a putative class action complaint was filed in the Circuit Court of Washington County, Arkansas by the City of Fayetteville, Arkansas on behalf of itself and a putative class of Arkansas cities, counties and townships that have enacted uniform hotel taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for a declaratory judgment, conversion, unjust enrichment, and a constructive trust. On July 24, 2007, the City of Fayetteville filed an amended complaint correcting the names of certain defendants. On August 7, 2007, the defendants moved to dismiss the amended complaint. That motion is pending.

City of Jefferson, Missouri v. Hotels.com, LP, et al.: On June 27, 2007, a putative class action complaint was filed in the Circuit Court of Cole County, Missouri by the City of Jefferson, Missouri on behalf of itself and a putative class of Missouri cities, counties and governments that have enacted taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for violation of the Missouri Merchandising Practices Act, conversion, unjust enrichment, declaratory judgment, breach of fiduciary duties and a constructive trust. On November 5, 2007, the defendants moved to dismiss the complaint. That motion is being briefed.

City of Gallup, New Mexico v. Hotels.com, L.P., et al.: On July 6, 2007, a putative class action was filed in the United States District Court for the District of New Mexico by the City of Gallup on behalf of itself and a putative class of New Mexico taxing authorities that have enacted lodgers' taxes. The complaint asserts claims for violation of the New Mexico Lodger's Tax Act and municipal ordinances. On August 27, 2007, the defendants answered the City of Gallup's complaint. The parties are currently conducting discovery.

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

Actions Filed on Behalf of Individual Cities

Several cities, counties, municipalities and other political subdivisions across the country have filed actions relating to the collection of hotel occupancy taxes against the Company and other defendants, including, but not in all cases, Lowestfare.com Incorporated and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Cendant Travel Distribution Services Group, Inc.; Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. In each, the complaint alleges, among other things, that each of these defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Findlay v. Hotels.com, L.P., et al.: On October 25, 2005, a putative class action complaint was filed in the Common Pleas Court of Hancock County, Ohio by the City of Findlay on behalf of itself and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of the Ohio Consumer Sales Practices Act, Ohio Revised Code Chapter 1345, *et seq*., conversion, a constructive trust and a declaratory judgment. On November 22, 2005, the Company and certain other defendants removed this action to the United States District Court for the Northern District of Ohio. On January 30, 2006, the defendants moved to dismiss the complaint. On July 26, 2006, the court granted defendants' motion to dismiss the Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 2, 2007, the City of Findlay filed a motion seeking leave to amend its complaint to withdraw its allegations seeking to assert claims on behalf of a state-wide class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. On August 15, 2007, the court granted that motion and an amended complaint withdrawing those class allegations was filed. On September 4, 2007, the defendants answered the amended complaint. On November 5, 2007, the parties jointly moved to consolidate the *City of Findlay* action with the *City of Columbus* action (discussed above) for pre-trial purposes, and that motion was granted on November 6, 2007. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion is pending.

City of Chicago, Illinois v. Hotels.com, L.P., et al.: On November 1, 2005, the City of Chicago, Illinois filed a complaint in the Circuit Court of Cook County, Illinois. In addition to the tax claims, the complaint also asserts claims for conversion, imposition of a constructive trust, and a demand for a legal accounting. On January 31, 2006, the defendants moved to dismiss the complaint. On September 27, 2007, the court denied the defendants' motion to dismiss. On November 2, 2007, the defendants answered the complaint. The parties are currently conducting discovery.

City of San Diego, California v. Hotels.com L.P., et al.: On February 9, 2006, the City of San Diego, California filed a complaint in Superior Court for the County of San Diego, California. In addition to the tax claims, the complaint also asserts unfair competition claims under Section 17200. On

March 31, 2006, the defendants filed with a petition to coordinate this matter with the *City of Los Angeles* case (discussed above). On July 12, 2006, that petition was granted, and, as a result, this case was coordinated with the *City of Los Angeles* action and will proceed in the Superior Court of Los Angeles. As discussed above, on March 1, 2007, the court denied defendants' previously-filed demurrers to the City of Los Angeles' Second Amended Complaint on misjoinder grounds, which the parties deemed applicable to the City of San Diego's complaint. On January 17, 2007, the defendants filed demurrers to the City of San Diego's complaint on all issues other than misjoinder of defendants and claims. On March 8, 2007, the City of San Diego filed an amended complaint. On April 11, 2007, the defendants filed a renewed motion to dismiss the amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Atlanta, Georgia v. Hotels.com L.P., et al.: On March 29, 2006, the City of Atlanta, Georgia filed a complaint in the Superior Court of Fulton County, Georgia. In addition to the tax claims, the complaint also asserts claims for a declaratory judgment, conversion, unjust enrichment, a constructive trust and a demand for an equitable accounting. On June 5, 2006, certain defendants, including the Company and its subsidiaries, answered the complaint. The parties proceeded to conduct discovery. On October 12, 2006, as directed by the court, the defendants submitted briefs regarding the City of Atlanta's failure to exhaust the administrative remedies dictated by Georgia law and its own ordinance. On December 12, 2006, the court dismissed the City of Atlanta's action for lack of jurisdiction because the City of Atlanta failed to exhaust mandatory administrative remedies prior to bringing suit. On January 10, 2007, the City of Atlanta filed a notice of appeal to the court's order deciding it lacked jurisdiction. On October 26, 2007, the Georgia Court of Appeals affirmed the order of the Georgia Superior Court. On November 5, 2007, the City moved for reconsideration of the October 26, 2007 opinion, and that motion was denied on November 13, 2007. On December 10, 2007, the City filed a petition for certiorari with the Georgia Supreme Court. The defendants have opposed that petition, which remains pending.

City of Charleston, South Carolina v. Hotel.com, et al.: On April 26, 2006, the City of Charleston, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. In addition to the tax claims, the complaint also asserts claims for conversion, a constructive trust and a demand for a legal accounting. On May 31, 2006, defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On July 7, 2006, the defendants answered the complaint. On January 23, 2007, the City of Charleston moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *Town of Mount Pleasant* (discussed below). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

Town of Mount Pleasant, South Carolina v. Hotels.com, et al.: On May 23, 2006, the Town of Mount Pleasant, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. On July 21, 2006, the defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On September 15, 2006, the defendants answered the complaint. On January 22, 2007, the Town of Mount Pleasant moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *City of Charleston* (discussed above). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

City of North Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On August 28, 2006, the City of North Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Fifteenth Judicial Circuit of South Carolina. On October 27, 2006, the Company and certain other defendants removed the case to the United States District Court for the District of South Carolina, Florence Division. On December 1, 2006, the defendants filed their motion to dismiss the complaint. On September 30, 2007, the court denied that motion.

Wake County v. Hotels.com, LP, et al.: On November 3, 2006, Wake County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Wake County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On January 31, 2007, the defendants moved to dismiss this action. On February 1, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On April 4, 2007, the *Wake County, Dare County, Buncombe County and Dare County* actions (discussed below) were consolidated for pre-trial purposes, and the following discussion applies to all four actions. On May 7, 2007, the defendants moved to dismiss the *Dare County and Buncombe County* actions. On November 19, 2007, the court granted in part and denied in part the motions to dismiss. The court dismissed all claims for conversion, all claim for violation of North Carolina General Statute § 75-1, et seq. The court also dismissed all claims brought by Cumberland County for that plaintiff's failure to exhaust mandatory administrative remedies before filing suit. The remaining claims brought by the other three plaintiffs survived the defendants' motions. The remaining parties are currently conducting discovery.

Cumberland County v. Hotels.com, LP, et al.: On December 4, 2006, Cumberland County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Cumberland County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On February 12, 2007, the defendants moved to dismiss this action and moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

Dare County v. Hotels.com, LP, et al.: On January 26, 2007, Dare County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Dare County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On February 22, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, and the case was thereafter transferred to the Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

Buncombe County v. Hotels.com, LP, et al.: On February 1, 2007, Buncombe County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Buncombe County, North Carolina. In addition to the Company and those subsidiaries named in certain of the foregoing litigations (Lowestfare.com Incorporated and Travelweb LLC), the complaint also names priceline.com LLC as a defendant. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes, as well as supplemental relief including, without limitation, an accounting and a determination of the amount of taxes due but unpaid. Buncombe County designated its complaint as a mandatory complex business case subject to the jurisdiction of the North Carolina Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

City of Branson v. Hotels.com, LP., et al.: On December 28, 2006, the City of Branson, Missouri filed a complaint in the Circuit Court of Greene County, Missouri. In addition to the claim for Tourism Taxes, the complaint also asserted claims for a declaratory judgment, conversion and a legal accounting. On April 23, 2007, the defendants moved to dismiss the complaint, and that motion was denied on November 26, 2007. The parties are presently conducting discovery.

Horry County, et al. v. Hotels.com, LP, et al.: On February 2, 2007, Horry County, South Carolina and the Horry County Administrator filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiffs are entitled to other relief, including penalties and interest. On April 30, 2007, the defendants moved to dismiss the complaint. On January 7, 2008, the court indicated that it would deny the defendants' motion to dismiss, but no order has been entered.

City of Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On February 2, 2007, the City of Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiff is entitled to other relief, including penalties and interest. On April 23, 2007, the defendants moved to dismiss the complaint. On December 11, 2007, the court heard argument on that motion, along with the motion in the Horry County action (discussed above).

City of Houston, Texas v. Hotels.com, LP., et al.: On March 5, 2007, the City of Houston, Texas filed a complaint in the District Court of Harris County, Texas. In addition to the claim for violation of the Houston hotel occupancy tax ordinance, the complaint also asserted claims for conversion, constructive trust, civil conspiracy, and a legal accounting. On April 30, 2007, the defendants filed special exceptions to the complaint. On July 5, 2007, the court denied in part and granted in part the defendants' special exceptions. The court denied the special exceptions relating to the adequacy of the plaintiff's allegations, but granted the special exceptions requiring the plaintiff to state with specificity the maximum amount of damages claimed. On October 2, 2007, the City of Houston filed an amended complaint adding the Harris County Sports Authority as a plaintiff. On October 15, 2007, the Company and the other defendants filed renewed special exceptions to the complaint and affirmative defenses. On November 19, 2007, the court granted those special exceptions. On January 22, 2008, the plaintiffs filed a second amended petition. On February 4, 2008, the Company and the defendants filed renewed special exceptions to the petition and moved to dismiss the action. The special exceptions and motion are pending.

City of Oakland, California v. Hotels.com, L.P., et al.: On June 29, 2007, the City of Oakland, California filed a complaint in the United States District Court for the Northern District of California. In addition to the claim for violation of the City of Oakland's Transient Tax Ordinance, the complaint also asserted unfair competition claims under California Business and Professions Code § 17200, *et seq*., and claims for conversion, unjust enrichment, punitive damages, a constructive trust and a declaratory judgment. On September 18, 2007, the defendants moved to dismiss the complaint. On November 6, 2007, the court granted the defendants' motion and dismissed the City of Oakland's complaint with prejudice for the City's failure to exhaust its mandatory administrative procedures for tax collection. On December 5, 2007, the City of Oakland filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. That appeal is being briefed.

City of Madison v. Expedia, Inc., et al.: On November 30, 2007, the City of Madison filed a declaratory judgment complaint in the Circuit Court for Dane County, Wisconsin seeking a declaration that the defendants are subject to the Madison hotel occupancy tax. On January 23, 2008, the Company and the other defendants moved to dismiss the City of Madison's declaratory judgment complaint on the basis that the City failed to exhaust its mandatory administrative remedies before filing suit. That motion is pending.

Mecklenburg County v. Hotels.com LP, et al.: On January 14, 2008, Mecklenburg County filed a complaint in the General Court of Justice, Superior Court Division, Mecklenburg County, North Carolina. In addition to the claim for room occupancy taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, et seq., and breach of agency duties and statutory penalties. At the time it filed the complaint, Mecklenburg also moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court. The Company and its subsidiaries accepted service of the complaint and are presently scheduled to move to dismiss, answer or otherwise respond to the complaint on or before March 24, 2008. On February 19, 2008, this action was consolidated with *Wake County*, which is discussed in further detail above.

We have also been informed by counsel to the plaintiffs in certain of the aforementioned actions that various, undisclosed municipalities or taxing jurisdictions may file additional cases against the Company, Lowestfare.com Incorporated and Travelweb LLC in the future. Some of those municipalities or taxing jurisdictions have sent the Company and/or its subsidiaries tax notices or demands, including Brunswick County and Stanly County, North Carolina, Jefferson County, Arkansas, City of North Little Rock, Arkansas, and the Pine Bluff Advertising and Promotion Commission.

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

Consumer Class Actions

Marshall, et al. v. priceline.com, Inc.: On February 17, 2005, a putative class action complaint was filed in the Superior Court of the State of Delaware for New Castle County by Jeanne Marshall and three other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against the Company. The complaint alleged that the Company violated the Delaware Consumer Fraud Act, Del. Code Ann. Tit. 6, § 2511, *et seq*., relating to its disclosures and charges to customers to cover taxes under city hotel occupancy tax ordinances nationwide, and service fees. The Company moved to dismiss the complaint on April 21, 2005. On June 10, 2005, plaintiffs filed an amended complaint that asserts claims under the Delaware Consumer Fraud Act and for breach of contract and the implied duty of good faith and fair dealing. The amended complaint seeks compensatory damages, punitive damages, attorneys' fees and other relief. On October 31, 2006, the court granted in part and denied in part the Company's motion to dismiss. The court dismissed all claims arising under the Delaware Consumer Fraud Act. The court also dismissed all claims for breach of contract and the implied duty of good faith and fair dealing that relate to Company's charges for service fees. The court denied the Company's motion to dismiss the breach of contract and implied duty of good faith and fair dealing claims as they relate to the Company's charges to consumers to cover taxes under city hotel occupancy tax ordinances. The parties are currently conducting discovery. The plaintiffs have stated their intent to seek leave to amend their complaint.

Bush, et al. v. Cheaptickets, Inc., et al.: On February 17, 2005, a putative class action complaint was filed in Superior Court for the County of Los Angeles by Ronald Bush and three other individuals on behalf of themselves and other allegedly similarly situated California consumers against the Company and several of the same defendants as named in the *City of Los Angeles* action (discussed above). The complaint alleges each of the defendants engaged in acts of unfair competition in violation of Section 17200 relating to their respective disclosures and charges to customers to cover taxes under the above ordinances of the City of Los Angeles and other California cities, and service fees. The complaint seeks restitution, relief for alleged conversion, including punitive damages, injunctive relief, and imposition of a constructive trust. On July 1, 2005, plaintiffs filed an amended complaint, adding claims pursuant to California's Consumer Legal Remedies Act, Civil Code §1750, *et seq*. and claims for breach of contract and the implied duty of good faith and fair dealing. On December 2, 2005, the court ordered limited discovery and ordered that motions challenging the amended complaint would be coordinated with any

similar motions filed in the *City of Los Angeles* action. Since that time, the Company has provided limited discovery and opposed the plaintiffs' motion to compel further discovery.

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

Other Possible Actions

At various times the Company has also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to its charges and remittance of amounts to cover state and local hotel occupancy and other related taxes. The City of New Orleans, Louisiana, the City of Philadelphia, Pennsylvania, Miami-Dade County, Florida, Broward County, Florida, the City of Anaheim, California, and state tax officials from Wisconsin, Pennsylvania, and Indiana, among others, have begun formal or informal administrative procedures or stated that they may assert claims against the Company relating to allegedly unpaid state or local hotel occupancy or related taxes. In addition, the State of New Jersey Department of Taxation has begun an audit related to the state's Corporation Business Tax. The Company is unable at this time to predict whether any such proceedings or assertions will result in litigation.

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

Litigation Related to Securities Matters

On March 16, March 26, April 27, and June 5, 2001, respectively, four putative class action complaints were filed in the U.S. District Court for the Southern District of New York naming priceline.com, Inc., Richard S. Braddock, Jay Walker, Paul Francis, Morgan Stanley Dean Witter & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., BancBoston Robertson Stephens, Inc. and Salomon Smith Barney, Inc. as defendants (01 Civ. 2261, 01 Civ. 2576, 01 Civ. 3590 and 01 Civ. 4956). Shives *et al.* v. Bank of America Securities LLC *et al.*, 01 Civ. 4956, also names other defendants and states claims unrelated to the Company. The complaints allege, among other things, that priceline.com and the individual defendants violated the federal securities laws by issuing and selling priceline.com common stock in priceline.com's March 1999 initial public offering without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had allegedly solicited and received excessive and undisclosed commissions from certain investors. By Orders of Judge Mukasey and Judge Scheindlin dated August 8, 2001, these cases were consolidated for pre-trial purposes with hundreds of other cases, which contain allegations concerning the allocation of shares in the initial public offerings of companies other than priceline.com, Inc. By Order of Judge Scheindlin dated August 14, 2001, the following cases were consolidated for all purposes: 01 Civ. 2261; 01 Civ. 2576; and 01 Civ. 3590. On April 19, 2002, plaintiffs filed a Consolidated Amended Class Action Complaint in these cases. This Consolidated Amended Class Action Complaint makes similar allegations to those described above but with respect to both the Company's March 1999 initial public offering and the Company's August 1999 second public offering of common stock. The named defendants are priceline.com, Inc., Richard S. Braddock, Jay S. Walker, Paul E. Francis, Nancy B. Peretsman, Timothy G. Brier, Morgan Stanley Dean Witter & Co., Goldman Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., Robertson Stephens, Inc. (as successor-in-interest to BancBoston), Credit Suisse First Boston Corp. (as successor-in-interest to Donaldson Lufkin & Jenrette Securities Corp.), Allen & Co., Inc. and Salomon Smith Barney, Inc. Priceline, Richard Braddock, Jay Walker, Paul Francis, Nancy Peretsman, and Timothy Brier, together with other issuer defendants in the consolidated litigation, filed a joint motion to dismiss on July 15, 2002. On November 18, 2002, the cases against the individual defendants were dismissed without prejudice and without costs. In addition, counsel for plaintiffs and the individual defendants executed Reservation of Rights and Tolling Agreements, which toll the statutes of limitations on plaintiffs' claims against those individuals. On February 19, 2003, Judge Scheindlin issued an Opinion and Order granting in part and denying in part the issuer's motion. None of the claims against the Company were dismissed.

On June 26, 2003, counsel for the plaintiff class announced that they and counsel for the issuers had agreed to the form of a Memorandum of Understanding (the "Memorandum") to settle claims against the issuers. The terms of that Memorandum provide that class members will be guaranteed $1 billion in recoveries by the insurers of the issuers and that settling issuer defendants will assign to the class members certain claims that they may have against the underwriters. Issuers also agree to limit their abilities to bring certain claims against the underwriters. If recoveries in excess of $1 billion are obtained by the class from any non-settling defendants, the settling defendants' monetary obligations to the class plaintiffs will be satisfied; any amount recovered from the underwriters that is less than $1 billion will be paid by the insurers on behalf of the issuers. The Memorandum, which is subject to the approval of each issuer, was approved by a special committee of the priceline.com Board of Directors on Thursday, July 3, 2003. Thereafter, counsel for the plaintiff class and counsel for the issuers agreed to the form of a Stipulation and Agreement of Settlement with Defendant Issuers and Individuals ("Settlement Agreement"). The Settlement Agreement implements the Memorandum and contains the same material provisions. On June 11, 2004, a special committee of the priceline.com Board of Directors authorized the Company's counsel to execute the Settlement Agreement on behalf of the Company. The Settlement Agreement was submitted to the Court for approval. Subsequently, the Second Circuit reversed the District Court's granting of class certification in certain of the related class actions. As a result, the parties entered into a stipulation and order dated June 25, 2007 which terminated the Settlement Agreement. The Company intends to vigorously defend against the claims in all these proceedings.

On May 3, 2007, the Company entered into a Stipulation and Agreement of Settlement ("Settlement Agreement") to settle a class action lawsuit brought after its announcement that third quarter 2000 revenues would not meet expectations. Under the terms of the Settlement Agreement, the class received $80 million in return for a release, with prejudice, of all claims against the Company and the individual defendants (the "Settling Defendants") that are related to the purchase of the Company's securities by class members during the class period. The Company's insurance carriers funded $30 million of the settlement. As a result, the Company recorded a 2007 net charge of approximately $55.4 million representing its share of the cost to settle the litigation and cover related expenses.

The Company will continue to assess the risks of the potential financial impact of these matters, and to the extent appropriate, it will reserve for those estimates of liabilities.

Other Litigation

On January 6, 1999, we received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an interference between a patent application filed by Woolston and our U.S. Patent 5,794,207. We are currently awaiting information from the Patent Office regarding whether it will initiate an interference proceeding.

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 could adversely affect our business, results of operations, financial condition and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of stockholders of priceline.com during the fourth quarter of the year ended December 31, 2007.

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 the common stock as reported on the NASDAQ Global Select Market:

2007	High	Low
First Quarter	$ 56.11	$ 41.80
Second Quarter	69.40	53.33
Third Quarter	91.95	59.50
Fourth Quarter	120.67	79.15

2006		
First Quarter	$ 24.98	$ 21.06
Second Quarter	32.66	23.72
Third Quarter	37.16	25.62
Fourth Quarter	44.28	36.51

Holders

As of February 15, 2008, there were approximately 626 stockholders of record of priceline.com's common stock, although we believe that there are a significantly larger number of beneficial owners.

Dividend Policy

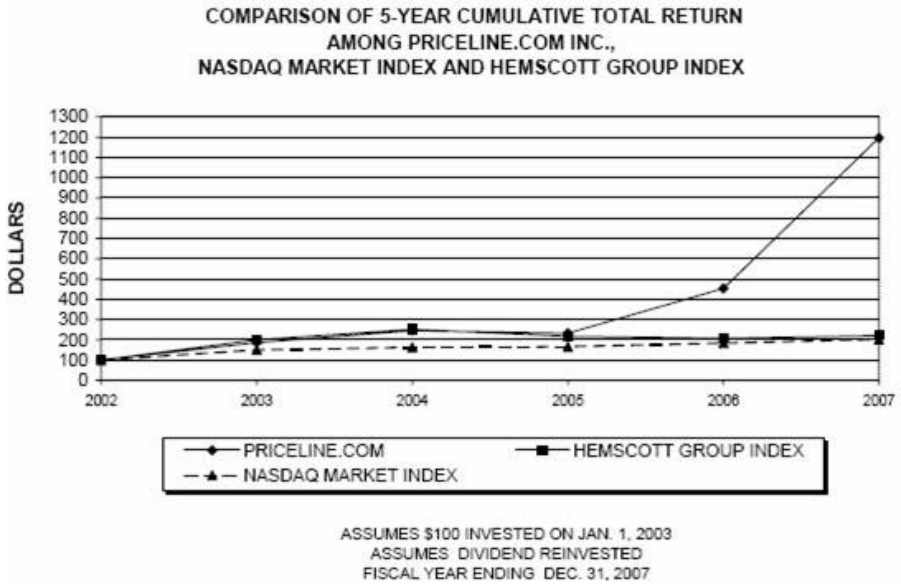
We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business.

Equity Compensation Plan Information

Information required by Part II, Item 5, relating to Equity Compensation Plan Information will be included in our Proxy Statement relating to our 2008 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, 2007.

Performance Measurement Comparison

The following graph shows the total stockholder return through December 31, 2007 of an investment of $100 in cash on January 1, 2003 for priceline.com common stock and an investment of $100 in cash on January 1, 2003 for (i) the NASDAQ Market Index and (ii) the Hemscott Group Index. The Hemscott Group Index is an index of stocks representing the Internet industry, including Internet software and services 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:



Measurement Point	Priceline.com Incorporated	Internet Software & Svcs	NASDAQ Market Index
2002	100.00	100.00	100.00
2003	186.46	200.13	150.36
2004	245.73	252.24	163.00
2005	232.50	218.28	166.58
2006	454.27	207.19	183.68
2007	1196.46	221.50	201.91

Sales of Unregistered Securities

In 2007, a holder of our 2.25% Convertible Senior Notes converted approximately $50,000 in principal amount of notes into 819 shares of our common stock and holder of our 1% Convertible Senior Notes converted approximately $23,000 in principal amount of notes into 575 shares of our common stock. See Note 12 to the Consolidated Financial Statements.

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, 2007:

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, 2007 – October 31, 2007	1,658(3)	$ 92.02	—	$ 44,866,000(1)
	—		—	$ 20,447,000(2)
November 1, 2007 – November 30, 2007	2,758(3)	$ 95.27	—	$ 44,866,000(1)
	—	—		$ 20,447,000(2)
December 1, 2007 – December 31, 2007	—	—	—	$ 44,866,000(1)
	—	—	—	$ 20,447,000(2)
Total	4,416	$ 94.05	—	$ 65,313,000

1 Pursuant to a stock repurchase program announced on November 2, 2005, whereby the Company was authorized to repurchase up to $50,000,000 of its common stock.

2 Pursuant to a stock repurchase program announced on September 21, 2006, whereby the Company was authorized to repurchase up to $150,000,000 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 total liabilities amount for the years ended December 31, 2006, 2005 and 2004 included in selected financial data presented below has been restated. See Note 21 to the Consolidated Financial Statements. The following selected consolidated financial data presented below are 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 the Agoda Companies, Booking.com B.V., Booking.com Limited and Travelweb LLC from their respective acquisition dates of November 2007, July 2005, September 2004 and May 2004. The information set forth below is not necessarily indicative of future results and should be read in conjunction with Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share amounts)				
Total revenues	$ 1,409,409	$ 1,123,103	$ 962,660	$ 914,372	$ 863,661
Total costs of revenues	769,997	722,004	694,797	716,217	717,716
Gross profit	639,412	401,099	267,863	198,155	145,945
Total operating expenses	501,477	339,113	231,979	167,733	137,927
Operating income	137,935	61,986	35,884	30,422	8,018
Total other income (expense)	12,088	3,646	(181)	1,405	1,567
Income tax benefit (1)	12,059	12,388	156,277	193	—
Equity in income (loss) of investees and minority interests	(5,000)	(3,554)	749	(511)	2,331
Net income (1)	157,082	74,466	192,729	31,509	11,916
Net income applicable to common stockholders (1)	155,527	72,539	190,875	29,997	10,425
Net income applicable to common stockholders per basic common share (1)	4.13	1.88	4.87	0.78	0.28
Net income applicable to common stockholders per diluted share (1)	3.42	1.68	4.21	0.76	0.27
Total assets	1,350,856	1,105,648	754,028	542,082	337,784
Long-term obligations, minority interest and redeemable preferred stock (2)	646,702	656,420	313,942	268,562	139,063
Total liabilities (3)	754,713	721,136	347,828	325,155	175,207
Total stockholders' equity	579,107	348,556	369,071	199,143	149,107

(1) The Company recorded income tax benefits in the years ended December 31, 2007, 2006 and 2005, amounting to $47.9 million, $28.1 million and $170.5 million, respectively, resulting from a reversal of a portion of the valuation allowance on its deferred tax assets.

(2) Includes convertible debt which is classified as a current liability as of December 31, 2007.

(3) Total liabilities has been restated for the years ended December 31, 2006, 2005 and 2004. See Note 21 to the Consolidated Financial Statements.

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

The following discussion should be read in conjunction with our financial statements, including the notes to those statements, included elsewhere in this Form 10-K, and the Section entitled "Special Note Regarding Forward-Looking Statements" in this 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, but are not limited to, those discussed in "Risk Factors."

Overview

General. We are a leading online travel company that offers our customers a broad range of travel services, including airline tickets, hotel rooms, car rentals, vacation packages, cruises and destination services. In the United States, we offer our customers a unique choice: the ability to purchase travel services in a traditional, price-disclosed manner or the opportunity to use our unique *Name Your Own Price*® service, which allows our customers to make offers for travel services at discounted prices. Internationally, we offer our customers hotel room reservations in 60 countries and 22 languages.

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include, among others, the brands Booking.com and Active Hotels in Europe and Agoda in Asia. Our goal is to be the leading worldwide online hotel reservation service and be the top online discount travel agent in the United States. At present, we derive substantially all of our revenues from the following sources:

- Transaction revenues from our *Name Your Own Price*® airline ticket, hotel room and rental car services, as well as our vacation packages service;
- Commissions earned from the sale of price-disclosed hotel rooms, rental cars, cruises and other travel services;
- Customer processing fees charged in connection with the sale of both *Name Your Own Price*® and price-disclosed airline tickets, hotel rooms and rental cars services. Priceline eliminated processing fees for its price-disclosed airline ticket service in June 2007;
- Transaction revenue from our price-disclosed merchant hotel room service;
- Global distribution system ("GDS") reservation booking fees related to both our *Name Your Own Price*® airline ticket, hotel room and rental car services, and price-disclosed airline tickets and rental car services; and
- Other revenues derived primarily from selling advertising on our websites.

Over the last several years, our business has transitioned from one driven primarily by domestic results to one driven primarily by international results. Prior to 2004, substantially all of our revenues were generated within the United States. In September 2004, we acquired Booking.com Limited, a U.K.-based online hotel service, in July 2005, we acquired Booking.com B.V., a Netherlands-based online hotel service, and in November 2007, we acquired Agoda Company, Ltd. ("Agoda") and AGIP LLC ("AGIP," and together with Agoda, the "Agoda Companies"), an online hotel service with operations in Singapore and Thailand. During the year ended December 31, 2007, our international business — the significant majority of which is currently generated by our European operations — represented approximately 55% of our gross bookings, and contributed more than two-thirds of our consolidated operating income during that period. We expect that throughout 2008 and beyond, our international business will represent a growing percentage of our total gross bookings and operating income.

International Trends. The size of the travel market outside of the United States is substantially greater than that within the United States. Historically, Internet adoption rates and e-commerce adoption rates of international consumers have trailed those of 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. In addition, the base of hotel suppliers in Europe 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. We believe these trends have enabled us to become the top hotel service provider in Europe, and will allow us to successfully expand our service offerings internationally beyond Europe.

As our international operations have become significant contributors to our results and international hotel bookings have become of increased importance to our earnings, we have seen, and expect to continue to see, changes in certain of our operating expenses and other financial metrics. For example, because our international operations utilize online affiliate and search marketing as the principal means of generating traffic to their websites, our online advertising expense has increased significantly since our acquisition of those companies, a trend we expect to continue throughout 2008 and beyond. In addition, and as discussed in more detail below, since the acquisitions of Booking.com Limited and Booking.com B.V., we have seen the effects of seasonal fluctuations on our operating results change as a result of different revenue recognition policies that apply to our price-disclosed services (including our international hotel service) as compared to our *Name Your Own Price*® services.

Another impact of the growing importance that our international operations represent to our business is our increased exposure to foreign currency exchange risk. Because we are conducting a significant and growing portion of our business outside the United States and are reporting our results in U.S. dollars, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency into U.S. dollars upon consolidation. Our international operations contributed approximately $372.6 million to our revenues for the year ended December 31, 2007, which compares to $182.7 million for the same period in 2006. Approximately $30.3 million of this increase is due to fluctuations in currency exchange rates. If the U.S. dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, net revenues, operating expenses, and net income or loss. Similarly, our net assets, net revenues, operating expenses, and net income or loss will decrease if the U.S. dollar strengthens against local currency.

Domestic Trends. While the online market for travel services continues to experience significant annualized growth, we believe that the domestic market share of third-party distributors, like priceline.com, has declined over the recent past and that the growth of the domestic online market for travel services has slowed. We believe the decline in market share is attributable, in part, to a concerted initiative by travel suppliers to direct customers to their own websites in an effort to reduce distribution expenses and establish more direct control over their pricing. In addition, airlines and hotel chains have generally experienced year-over-year increases in load factors (a common metric that measures airplane customer usage) and occupancy rates (a common metric that measures hotel customer usage), respectively, which leaves them with less excess supply to provide third party intermediaries like priceline.com. Recent decreases in domestic airline capacity could further reduce the amount of airline tickets available to us. Notwithstanding these trends, we continue to believe that the market for domestic online travel services is an attractive market with continued opportunity for growth.

The financial prospects of our domestic business have historically been significantly dependent upon the sale of leisure airline tickets and, as a result, the health of our domestic business has been impacted by the health of the airline industry. While the sale of leisure airline tickets remains an important part of our business, revenue earned in connection with the domestic reservation of hotel room nights has come to represent a substantial majority of our domestic gross profit. The domestic hotel

market has been characterized in recent years by robust demand and limited supply, leading to increased occupancy rates, and in turn, increased average daily rates ("ADRs"). Because our remuneration for agency hotel transactions increases proportionately with room price, increased ADRs generally have a positive effect on our agency hotel business. Higher ADRs, however, can also negatively affect consumer demand, and higher occupancy rates can lead hotels to restrict our access to merchant hotel availability, particularly in high occupancy destinations popular with our travel base. Higher occupancy rates also have historically tended to drive lower margins as hotel suppliers have less need to distribute through third-party intermediaries such as us.

Recently, significant attention has been given to the state of the United States economy and concern has been expressed regarding certain recessionary trends. We do not believe that our 2007 financial results were impacted by a slowdown in the United States economy, and we believe that our brands and services are attractive to consumers and suppliers in times of economic stress. There can be no assurance, however, that our business would not be adversely affected if current economic conditions continue or worsen.

We also rely on fees paid to us by global distribution systems, or GDSs, for travel bookings made through GDSs for a portion of our gross profit and a substantial portion of our operating income. Connectivity to a GDS does not guarantee us access to the content of a travel supplier such as an airline or hotel company. We have agreements with a number of suppliers to obtain access to content, and are in continuing discussions with others to obtain similar access. If we were denied access to a suppliers' full content or had to incur service fees in order to access or book such content, our results could suffer.

We believe that our success will depend in large part on our ability to maintain profitability, primarily from our hotel business, to continue to promote the priceline.com brand in the United States, the Booking.com brand internationally, the Agoda brand in Asia and, over time, to offer other travel services and further expand into other international markets. Factors beyond our control, such as the outbreak of an epidemic or pandemic disease; natural disasters such as hurricanes, tsunamis or earthquakes; terrorist attacks, hostilities in the Middle East or elsewhere; or the withdrawal from our system of a major hotel supplier, could adversely affect our business and results of operations and impair our ability to effectively implement all or some of the initiatives described above. We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve operating results. 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. In addition, we currently do not have operations in geographic areas such as South America, and therefore may consider strategic alternatives in those areas. Our goal is to improve volume and sustain gross margins in an effort to maintain profitability. The uncertain environment described above makes the prediction of future results of operations difficult, and accordingly, we cannot provide assurance that we will sustain revenue growth and profitability.

Seasonality. Our *Name Your Own Price*® services are non-refundable in nature, and accordingly, we recognize travel revenue at the time a booking is generated. However, we recognize revenue generated from our retail hotel services, including our international operations, at the time that the customer checks out of the hotel. As a result, a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized as revenue until future quarters. From a cost perspective, however, we expense the substantial majority of our advertising activities as they are incurred, which is typically in the quarter in which bookings are generated. Therefore, as our retail hotel business continues to grow, we expect our quarterly results to become increasingly impacted by these seasonal factors.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Our significant accounting policies are more fully described in Note 2 to our Consolidated Financial Statements. Certain of our accounting policies 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. A summary of our significant accounting policies that involve significant estimates and judgments of management, including the following:

- *Deferred Tax Valuation Allowance*. As required by SFAS No. 109, "Accounting for Income Taxes," we periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent cumulative earnings experience by taxing jurisdiction, expectations of future income, the carryforward periods available to us for tax reporting purposes, and other relevant factors. Based upon management's assessment of positive and negative evidence, we recorded non-cash tax benefits in 2007, 2006 and 2005 of $47.9 million, $28.1 million and $170.5 million, respectively, resulting from a reversal of a portion of our valuation allowance on our deferred tax assets. We believe that it is more likely than not that our remaining deferred tax assets will not be realized and, accordingly, a valuation allowance against those assets remains. The valuation allowance may need to be adjusted in the future if facts and circumstances change.

- *Stock-Based Compensation*. We record stock-based compensation expense over the service period based upon the grant date fair value of equity-based grants. We estimate forfeiture rates in determining the amount of compensation to record. In addition, we record stock-based compensation expense for grants that include a performance contingency based upon the estimated probable outcome at the end of the performance period. We periodically adjust the cumulative stock-based compensation recorded when estimated forfeiture rates are adjusted, or when the probable outcome for performance-based shares is updated based upon changes in facts and circumstances.

- *Accounting for State and Local "Hotel Occupancy" Taxes*. As discussed in Note 17 to our Consolidated Financial Statements, several jurisdictions have initiated lawsuits against several on-line travel companies, including us, alleging among other things, that sales or hotel occupancy tax is applicable to the differential between the price paid by a customer for our service and the cost of the underlying room. Historically, we have not collected taxes on this differential. Additional state and local jurisdictions could assert that we are subject to sales or hotel occupancy taxes on this differential and could seek to collect such taxes, either retroactively or prospectively, or both. To the extent that any tax authority succeeds in asserting that a tax collection responsibility applies to transactions conducted through the priceline.com service, we might have additional tax exposures. We will continue to assess the risks of the potential financial impact of additional tax exposures, and to the extent appropriate, we reserve for those estimated liabilities.

- *Allowance for Doubtful Accounts.* Because we act as merchant of record in the majority of our transactions, we may be held liable for accepting fraudulent credit cards on our website as well as other payment disputes with our customers. Additionally, we are also 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 charge-backs. In addition, in connection with hotel agency transactions, we provide an allowance for doubtful accounts based on past experience and the age of commissions receivable.

- *Valuation of Goodwill.* We have recorded goodwill related to businesses we have acquired including Booking.com B.V., Booking.com Limited, Travelweb, the Agoda Companies and priceline.com europe Ltd. Goodwill is reviewed at least annually for impairment using appropriate valuation techniques. In the event that future circumstances indicate that any portion of our goodwill is impaired, an impairment charge would be recorded.

- *Valuation of Long-Lived Assets and Intangibles.* We evaluate whether events or circumstances have occurred which indicate that the carrying amounts of long-lived assets and intangibles may be impaired or not recoverable. 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 asset is recoverable. If it is determined that the asset is not recoverable, we measure the impairment based on the projected discounted cash flows of the asset over its remaining life.

- *Airline Debit Memos.* Our airline suppliers periodically send us debit memos that make claims for additional amounts due to them related to the cost of airline tickets we sold on their behalf. We process the debit memos received and, when appropriate, make payments to the airlines. Based on our historical experience and our contractual arrangements with the airlines, we establish reserves for estimated losses when appropriate resulting from these claims.

Results of Operations

Year Ended December 31, 2007 compared to Year Ended December 31, 2006

Operating Metrics

Our financial results are driven by certain operating metrics that encompass the selling activity generated by our travel services. Specifically, sales of airline tickets, hotel room nights and rental car days capture the volume of units purchased by our customers. Gross Bookings capture the total dollar value inclusive of taxes and fees of all travel services purchased by our customers. International gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings for our international brands and operations, and domestic gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings by our domestic operations, in each case without regard to the location of the travel or the customer purchasing the travel.

Gross bookings resulting from airline tickets, hotel room nights and rental car days sold through our domestic and international operations in 2007 and 2006 were as follows:

	Year Ended December 31,		
	2007	2006	Change
Domestic	$ 2.154 billion	$ 1.973 billion	9.2%
International	$ 2.675 billion	$ 1.347 billion	98.6%
Total	$ 4.829 billion	$ 3.320 billion	45.5%

Gross bookings resulting from airline tickets, hotel room nights and rental car days sold through our agency and merchant models in 2007 and 2006 were as follows:

	Year Ended December 31,		
	2007	2006	Change
Agency	$ 3.585 billion	$ 2.182 billion	64.4%
Merchant	$ 1.244 billion	$ 1.138 billion	9.3%
Total	$ 4.829 billion	$ 3.320 billion	45.5%

Gross bookings increased by 45.5% for the year ended December 31, 2007, compared to the same period in 2006. The increase was primarily attributable to 98.6% growth in our international gross bookings, virtually all of which relates to retail hotel room night sales (including the $223 million favorable impact of foreign currency exchange rates). Domestic gross bookings increased by 9.2%, primarily due to growth in the sale of *Name Your Own Price*® hotel room nights, retail airline tickets due to the elimination of booking fees in June of 2007 and *Name Your Own Price*® rental car days, partially offset by a decrease in the sale of *Name Your Own Price*® airline tickets.

Agency gross bookings increased 64.4% for the year ended December 31, 2007, due to growth in our international hotel operations and in the sale of retail airline tickets due to the elimination of booking fees in June of 2007. Merchant gross bookings increased 9.3% for the year ended December 31, 2007, due to an increase n the sale of *Name Your Own Price*® hotel room nights and an increase in the sale of *Name Your Own Price*® rental car days, partially offset by a decrease in the sale of *Name Your Own Price*® airline tickets.

Year Ended	Airline Tickets	Hotel Room Nights	Rental Car Days
December 31, 2007	2.9 million	27.8 million	8.6 million
December 31, 2006	2.8 million	18.7 million	7.5 million

Airline tickets sold increased by 4.8% for the year ended December 31, 2007, over the same period in 2006. The increase in the number of airline tickets sold in the year ended December 31, 2007, compared to the same period in 2006, was primarily attributable to an increase in the sale of retail airline tickets, partially offset by a decrease in the sale of *Name Your Own Price*® airline tickets. Retail airline ticket bookings increased primarily due to our elimination of booking fees in June 2007.

Hotel room nights sold increased by 48.9% for the year ended December 31, 2007, over the same period in 2006, primarily due to an increase in the sale of agency room nights in connection with our international operations as well as an increase in the sale of *Name Your Own Price*® hotel room nights in the United States.

Rental car days sold increased by 15.6% for the year ended December 31, 2007, over the same period in 2006, due to increases in sales of both our *Name Your Own Price*® and retail rental car services.

Revenues

We classify our revenue into three categories:

- Merchant revenues are derived from transactions where we are the merchant of record and are responsible for, among other things, collecting receipts from our customers, selecting suppliers and remitting payments to our suppliers. Merchant revenues include (1) transaction revenues representing the selling price of *Name Your Own Price*® airline tickets, hotel rooms, rental cars and price-disclosed vacation packages; (2) transaction revenues representing the amount charged to a customer, less the amount charged by suppliers in connection with the hotel rooms provided through our merchant price-disclosed hotel service; (3) customer processing fees charged in connection with the sale of *Name Your Own Price*® airline tickets, hotel rooms and rental cars and merchant price-disclosed hotels; and (4) ancillary fees, including GDS reservation booking fees related to certain of the aforementioned transactions.

- Agency revenues are derived from travel related transactions where we are not the merchant of record and where the prices of our services are determined by third parties. Agency revenues include travel commissions, customer processing fees and GDS reservation booking fees related to certain of the aforementioned transactions and are reported at the net amounts received, without any associated cost of revenue. In June 2007, we eliminated processing fees on the priceline.com price-disclosed airline ticket service.

- Other revenues are derived primarily from advertising on our websites.

We continue to experience a shift in the mix of our travel business from a business historically focused exclusively on the sale of domestic point-of-sale travel services to a business that includes significant sales of international point-of-sale hotel services, a significant majority of which are currently generated in Europe. Because our domestic services include merchant *Name Your Own Price*® travel services, which are reported on a "gross" basis, while both our domestic and international retail travel services are primarily recorded on a "net" basis, revenue increases and decreases are impacted by changes in the mix of the sale of merchant and retail travel services and, consequently, gross profit has become an increasingly important measure of evaluating growth in our business. Our international operations contributed approximately $372.6 million to our revenues for the year ended December 31, 2007, which compares to $182.7 million for the same period in 2006. Approximately $30.3 million of this increase is due to fluctuations in currency exchange rates.

	Year Ended December 31, ($000)		
	2007	2006	Change
Merchant Revenues	$ 1,002,824	$ 904,169	10.9%
Agency Revenues	398,246	213,900	86.2%
Other Revenues	8,339	5,034	65.7%
Total Revenues	$ 1,409,409	$ 1,123,103	25.5%

Merchant Revenues

Merchant revenues for the year ended December 31, 2007 increased 10.9% compared to the same period in 2006, primarily due to an increase in the sale of *Name Your Own Price®* and merchant price-disclosed hotel room nights and *Name Your Own Price®* rental car days, partially offset by a decrease in the sale of *Name Your Own Price®* airline tickets. In addition, as more fully discussed in Note 17 to our Consolidated Financial Statements, we recorded excise tax refunds of $18.6 million in merchant revenues in the year ended December 31, 2007.

Agency Revenues

Agency revenues for the year ended December 31, 2007 increased 86.2% compared to the same period in 2006, primarily as a result of growth in our international operations, which contributed $367 million of agency revenue for the year ended December 31, 2007, and $179 million of agency revenue for the year ended December 31, 2006. Approximately $30.0 million of this increase is due to fluctuations in currency exchange rates. These increases were partially offset by declines in agency revenue related to the sale of price-disclosed airline tickets, for which priceline.com ceased charging processing fees in June 2007.

Other Revenues

Other revenues during the year ended December 31, 2007 consisted primarily of: (1) advertising revenues; and (2) fees for referring customers to pricelinemortgage.com for home financing services. Other revenues for the year ended December 31, 2007 increased 65.7%, compared to the same period in 2006, primarily as a result of higher online advertising revenues due to new advertising partner relationships in 2007.

Cost of Revenues and Gross Profit

	Year Ended December 31, ($000)		
	2007	2006	Change
Cost of Merchant Revenues	$ 769,997	$ 722,004	6.6%
% of Merchant Revenues	76.8%	79.9%	
Cost of Agency Revenues	—	—	—
% of Agency Revenues	0.0%	0.0%	
Cost of Other Revenues	—	—	—
% of Other Revenues	0.0%	0.0%	
Total Cost of Revenues	$ 769,997	$ 722,004	6.6%
% of Revenues	54.6%	64.3%	

Cost of Revenues

During the year ended December 31, 2007, cost of revenues entirely reflect merchant *Name Your Own Price®* transactions, whose revenues are recorded "gross" with a corresponding cost of revenue while retail transactions are recorded "net" with no corresponding cost of revenues.

Cost of Merchant Revenues

For the year ended December 31, 2007, cost of merchant revenues consisted primarily of: (1) the cost of opaque hotel rooms from our suppliers, net of applicable taxes, (2) the cost of opaque airline tickets from our suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; and (3) the cost of opaque rental cars from our suppliers, net of applicable taxes. Cost of merchant revenues for the year ended December 31, 2007 increased 6.6%, compared to the same period in 2006, due primarily to the increase in merchant revenue discussed above. Merchant price-disclosed hotel revenues are recorded at their net amounts, which are amounts received less amounts paid to suppliers and therefore, there are no associated costs of merchant price-disclosed hotel revenues.

Cost of Agency Revenues

Agency revenues are recorded at their net amount, which are amounts received less amounts paid to suppliers, if any, and therefore, there are no costs of agency revenues.

Cost of Other Revenues

For the years ended December 31, 2007 and 2006, there were no costs of other revenues.

Gross Profit

Total gross profit for the year ended December 31, 2007 increased by 59.4% compared to the same period in 2006, primarily as a result of increased revenue. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2007, compared to the same period in 2006, because *Name Your Own Price®* transactions, whose revenues are recorded "gross" with a corresponding cost of revenue, represented a smaller percentage of transactions compared to retail, price-disclosed transactions which are primarily recorded "net" with no corresponding cost of revenues. Gross profit and gross margin were also positively impacted by the $18.6 million excise tax refund recorded in merchant revenue in the year ended December 31, 2007 (see Note 17 to our Consolidated Financial Statements). Because *Name Your Own Price®* transactions are reported "gross" and retail transactions are primarily recorded on a "net" basis, we believe that gross profit has become an increasingly important measure of evaluating growth in our business.

	Year Ended December 31, ($000)		
	2007	2006	Change
Merchant Gross Profit	$ 232,827	$ 182,165	27.8%
Merchant Gross Margin	23.2%	20.1%	
Agency Gross Profit	398,246	213,900	86.2%
Agency Gross Margin	100.0%	100.0%	
Other Gross Profit	8,339	5,034	65.7%
Other Gross Margin	100.0%	100.0%	
Total Gross Profit	$ 639,412	$ 401,099	59.4%
Total Gross Margin	45.4%	35.7%	

Merchant Gross Profit

Merchant gross profit consists of merchant revenues less the cost of merchant revenues. For the year ended December 31, 2007, merchant gross profit increased from the same period in 2006, primarily due to an increase in merchant revenue. Merchant gross margin increased primarily because *Name Your Own Price*® transactions, whose revenues are recorded "gross" with a corresponding cost of revenue, represented a smaller percentage of transactions in the year ended December 31, 2007, when compared to merchant price-disclosed hotel transactions, which are recorded "net" with no corresponding cost of revenues. In addition, merchant gross margin for the year ended December 31, 2007, was positively affected by the excise tax refund of $18.6 million included in merchant revenue (see Note 17 to our Consolidated Financial Statements).

Agency Gross Profit

Agency gross profit consists of agency revenues, which are recorded net of agency costs, if any. For the year ended December 31, 2007, agency gross profit increased over the same period in 2006, primarily as a result of growth in bookings for retail agency hotel room nights for our international operations.

Other Gross Profit

During the year ended December 31, 2007, other gross profit increased from the same period in 2006 primarily as a result of higher online advertising revenues due to new advertising partner relationships in 2007.

Operating Expenses

Advertising

	Year Ended December 31, ($000)		
	2007	2006	Change
Offline Advertising	$ 35,963	$ 31,831	13.0%
% of Total Gross Profit	5.6%	7.9%	
Online Advertising	172,676	$ 113,822	51.7%
% of Total Gross Profit	27.0%	28.4%	

Offline advertising expenses consist primarily of: (1) the expenses associated with domestic television, radio and print advertising; and (2) agency fees, the cost for creative talent and production costs for television, radio and print advertising. For the year ended December 31, 2007, offline advertising expenses were higher than in the same period in 2006 primarily as a result of increased television and print advertising related to our "Negotiator" advertising campaign, partially offset by a decrease in radio advertising. Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) affiliate programs; (3) banner and pop-up advertisements; and (4) e-mail campaigns. For the year ended December 31, 2007, online advertising expenses increased over the same period in 2006, primarily due to an increase in online advertising expenses to support significantly increased retail agency hotel room nights booked by our international operations, which rely primarily on online advertising, in particular keyword purchases and payments to affiliate advertisers, to drive their businesses, partially offset by the elimination of advertising fees paid under our agreement with Orbitz, which expired on December 31, 2006, and the impact of higher efficiency requirements (i.e., higher internal "return on investment" criteria) on other online spend.

Sales and Marketing

	Year Ended December 31, ($000)		
	2007	2006	Change
Sales and Marketing	$ 47,158	$ 42,119	12.0%
% of Total Gross Profit	7.4%	10.5%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third-party service providers that operate our call centers; and (3) provisions for credit card chargebacks. For the year ended December 31, 2007, sales and marketing expenses, which are substantially variable in nature, increased over the same period in 2006, primarily due to increased gross booking volumes.

Personnel

	Year Ended December 31, ($000)		
	2007	2006	Change
Personnel	$ 102,992	$ 79,421	29.7%
% of Total Gross Profit	16.1%	19.8%	

Personnel expenses consist of compensation to our personnel, including salaries, bonuses, taxes, employee health benefits and stock-based compensation. For the year ended December 31, 2007, personnel expenses increased over the same period in 2006, primarily due to increased personnel expenses associated with head count growth of our international operations and increased employee performance bonus expense. Stock-based compensation expense was approximately $16.3 million for the year ended December 31, 2007 and $14.9 million, for the year ended December 31, 2006.

General and Administrative

	Year Ended December 31, ($000)		
	2007	2006	Change
General and Administrative	$ 91,837	$ 28,587	221.3%
% of Total Gross Profit	14.4%	7.1%	

General and administrative expenses consist primarily of: (1) fees for outside professionals, including litigation expenses; (2) occupancy expenses; and (3) personnel related expenses. General and administrative expenses increased during the year ended December 31, 2007, over the same period during 2006, due to (1) a $55.4 million expense related to our net cost of a litigation settlement, including related legal fees (see Note 17 to our Consolidated Financial Statements), (2) a $1.7 million one-time receipt of certain franchise tax credits in the third quarter 2006, (3) additional fees for outside professionals and expenses related to pending litigation, and (4) increased general and administrative expenses, particularly occupancy and personnel related expenses, associated with the growth of our international operations.

Information Technology

	Year Ended December 31, ($000)		
	2007	2006	Change
Information Technology	$13,779	$9,749	41.3%
% of Total Gross Profit	2.2%	2.4%	

Information technology expenses consist primarily of: (1) outsourced data center costs relating to our domestic and international data centers; (2) system maintenance and software license fees; (3) data communications and other expenses associated with operating our Internet sites; and (4) payments to outside consultants. For the year ended December 31, 2007, the increase in information technology expenses compared to the same period in 2006, was primarily associated with the growth of our international operations.

Depreciation and Amortization

	Year Ended December 31, ($000)		
	2007	2006	Change
Depreciation and Amortization	$ 37,072	$ 33,449	10.8%
% of Total Gross Profit	5.8%	8.3%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) amortization of internally developed and purchased software, (3) depreciation of computer equipment; and (4) depreciation of leasehold improvements, office equipment and furniture and fixtures. For the year ended December 31, 2007, depreciation and amortization expense increased from the same period in 2006, primarily as a result of increased depreciation and amortization related to investment in our international operations.

Restructuring Charge, net

	Year Ended December 31, ($000)		
	2007	2006	Change
Restructuring Charge, net	$ —	$ 135	(100.0)%

In the year ended December 31, 2006, we recorded a net restructuring charge of approximately $135,000 related to vacated leased property.

Interest

	Year Ended December 31, ($000)		
	2007	2006	Change
Interest Income	$ 25,776	$ 11,312	127.9%
Interest Expense	(10,412)	(7,060)	47.5%
Total	$ 15,364	$ 4,252	261.3%

For the year ended December 31, 2007, interest income on cash and marketable securities increased over the same period in 2006, primarily due to higher prevailing interest rates and significantly higher cash balances throughout 2007, and including approximately $3.3 million of interest received on our excise tax refund. Interest expense increased for the year ended December 31, 2007 over the same period in 2006, due primarily to increased average debt balances in 2007, as well as an increase in prevailing interest rates on the variable portion of the interest rate swap agreement related to our 1% Convertible Senior Notes.

Taxes

	Year Ended December 31, ($000)		
	2007	2006	Change
Income Tax Benefit	$ 12,059	$ 12,388	(2.7)%

Income tax benefit for the years ended December 31, 2007 and 2006 differs from the expected tax expense at the U.S. statutory rate of 35% primarily because it includes benefits amounting to $47.9 and $28.1 million, respectively, resulting from a reversal of a portion of the valuation allowance on our deferred tax assets. Other items resulting in a difference between our effective tax rate and the statutory rate include a tax benefit of approximately $3.6 million resulting from the recognition of foreign capital allowance carryforwards in 2007, the foreign tax benefit of interest expense on intercompany debt and lower foreign tax rates, partly offset by state income taxes in 2007 and 2006. In the fourth quarter of 2006, the Netherlands enacted a reduction in its statutory tax rate from 29.6% to 25.5%, effective January 1, 2007. In the third quarter of 2007, the United Kingdom enacted a reduction in its statutory tax rate from 30% to 28%, effective April 1, 2008. We recognized benefits of $1.3 million and $3.0 million in the years ended December 31, 2007 and 2006, respectively, resulting from the impact on deferred taxes of these enacted statutory tax rate reductions. Due to our significant net operating loss carryforwards, we do not expect to pay significant U.S. federal income taxes for the foreseeable future. We expect to make cash payments for U.S. alternative minimum tax and for certain international taxes.

Equity in Income (Loss) of Investees and Minority Interests

	Year Ended December 31, ($000)		
	2007	2006	Change
Equity in Income (Loss) of Investees and Minority Interests	$ (5,000)	$ (3,554)	40.7%

Equity in income (loss) of investees and minority interests for the years ended December 31, 2007 and 2006, represented (1) minority interests associated with the ownership of priceline.com International that is held by former shareholders of Booking.com B.V. and Booking.com Limited, including certain European-based managers of that business; and (2) equity in income (loss) of investees, principally comprised of our pro rata share of pricelinemortgage.com's net results. The change in equity in income of investees and minority interests versus the prior year was primarily due to an increase in the minority interest in the earnings of priceline.com International. Also, the prior year includes a $1.1 million impairment charge to reduce the carrying value of our investment in pricelinemortgage.com to its estimated fair value.

Results of Operations

Year Ended December 31, 2006 compared to Year Ended December 31, 2005

Operating Metrics

Our financial results are driven by certain operating metrics that encompass the selling activity generated by our travel services. Specifically, sales of airline tickets, hotel room nights and rental car days capture the volume of units purchased by our customers. Gross Bookings capture the total dollar value inclusive of taxes and fees of all travel services purchased by our customers.

The number of airline tickets, hotel room nights and rental car days sold through our websites and the related gross bookings were as follows:

Year Ended	Gross Bookings	Airline Tickets	Hotel Room Nights	Rental Car Days
December 31, 2006	$ 3.3 billion	2.8 million	18.7 million	7.5 million
December 31, 2005	$ 2.2 billion	2.8 million	11.8 million	5.8 million

Gross bookings increased by 49.1% for the year ended December 31, 2006, compared to the same period in 2005. The increase was driven primarily by an increase of 85.6% in "agency" bookings for the year ended December 31, 2006, which was primarily attributable to (1) growth in our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively; (2) an increase in the average fare of our retail ticket service, and (3) the increased sale of retail rental cars. Merchant gross bookings increased by 8.3% for the year ended December 31, 2006, over the same period in 2005. The increase was primarily due to an increase in merchant gross bookings relating to our domestic retail hotel service, an increase in the average daily rate of our *Name Your Own Price*® hotel service and an increase in the sale of *Name Your Own Price*® rental car days.

Airline tickets sold increased by 0.2% for the year ended December 31, 2006, over the same period in 2005. The increase in the number of airline tickets sold in the year ended December 31, 2006, compared to the same period in 2005, was primarily attributable to an increase in the sale of retail airline tickets, partially offset by a decrease in the sale of *Name Your Own Price*® airline tickets.

Hotel room nights sold increased by 58.6% for the year ended December 31, 2006, over the same period in 2005. The increase in the number of hotel room nights sold in the year ended December 31, 2006, compared to the same period in 2005, was primarily due to growth in our hotel room nights sold through (1) our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively, and (2) our domestic retail hotel service. This increase was partially offset by a decrease in the sale of *Name Your Own Price*® hotel room nights. Our retail hotel service benefited from the enhanced integration of our retail and *Name Your Own Price*® services in the first quarter of 2006. We believe that the benefit to our retail hotel service came partially at the expense of sales of *Name Your Own Price*® hotel room nights during the year ended December 31, 2006, as some amount of demand that may otherwise have been directed to the *Name Your Own Price*® service instead was directed to our retail hotel service.

Rental car days sold increased by 28.1% for the year ended December 31, 2006, over the same period in 2005, due to increases in sales of both our retail and *Name Your Own Price*® rental car services, which benefited from the launch of enhanced integration of retail and *Name Your Own Price*® services in

the first quarter 2006, as well as from the launch of new features in 2005, including options for one-way destination and off-airport car rentals.

We continue to experience a shift in the mix of our airline ticket business from a business historically focused exclusively on the sale of merchant ("opaque") *Name Your Own Price®* travel services to a business that includes the sale of retail, price-disclosed travel services. Because merchant *Name Your Own Price®* travel services are reported on a "gross" basis and retail travel services are primarily recorded on a "net" basis, revenue increases and decreases are impacted by changes in the mix of the sale of merchant and retail travel services and, consequently, gross profit has become an increasingly important measure of evaluating growth in our business. Additionally, our European operations contributed approximately $182.7 million to our revenues for the year ended December 31, 2006, which are primarily recorded on a "net" basis.

	Year Ended December 31, ($000)		Change
	2006	2005	
Merchant Revenues	$ 904,169	$ 859,404	5.2%
Agency Revenues	213,900	99,051	116.0%
Other Revenues	5,034	4,205	19.7%
Total Revenues	$ 1,123,103	$ 962,660	16.7%

Merchant Revenues

Merchant revenues for the year ended December 31, 2006 increased 5.2% compared to the same period in 2005, primarily due to an increase in the sale of *Name Your Own Price®* rental car days, *Name Your Own Price®* hotel room nights, and vacation packages. A substantial portion of the increase was due to services sold through our agreement with Orbitz, which we entered into on January 1, 2006. Under our agreement with Orbitz, we paid fees in exchange for a link on the Orbitz website that directed traffic to the *Name Your Own Price®* service. The agreement expired on December 31, 2006. While the Orbitz agreement provided us with a good source of traffic, we believe it was likely dilutive in that many of the customers that we paid Orbitz for may have purchased our travel services anyway. While the expiration of the Orbitz agreement may result in decreased merchant volume in 2007 — we estimate potentially up to approximately 5% of our 2007 merchant volume after taking into account estimated dilution - it frees up marketing dollars that we may use in other online channels.

Agency Revenues

Agency revenues for the year ended December 31, 2006 increased 116% compared to the same period in 2005, primarily as a result of (1) growth in our European operations, which contributed $179 million of agency revenue for the year ended December 31, 2006, and $67 million of agency revenue for the year ended December 31, 2005; and (2) increased sales of domestic retail hotel room nights and retail rental car days. Results from our European operations are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively.

Other Revenues

Other revenues during the year ended December 31, 2006 consisted primarily of: (1) advertising revenues; and (2) fees for referring customers to pricelinemortgage.com for home financing services. Other revenues for the year ended December 31, 2006 increased 19.7%, compared to the same period in 2005, primarily as a result of higher online advertising revenue related to the inclusion of results of operation from our online advertising company since it was acquired in June 2006.

Cost of Revenues and Gross Profit

	Year Ended December 31, ($000)		Change
	2006	2005	
Cost of Merchant Revenues	$ 722,004	$ 694,190	4.0%
% of Merchant Revenues	79.9%	80.8%	
Cost of Agency Revenues	—	607	(100.0)%
% of Agency Revenues	0.0%	0.6%	
Cost of Other Revenues	—	—	—
% of Other Revenues	—	—	
Total Cost of Revenues	$ 722,004	$ 694,797	3.9%
% of Revenues	64.3%	72.2%	

Cost of Revenues

During the year ended December 31, 2006, cost of revenues increased 3.9%, compared to the same period in 2005, due primarily to the fact that merchant revenues increased comparably in the same period. Cost of revenues entirely reflect merchant *Name Your Own Price*® transactions, whose revenues are recorded "gross" with a corresponding cost of revenue while retail transactions are recorded "net" with no corresponding cost of revenues.

Cost of Merchant Revenues

For the year ended December 31, 2006, cost of merchant revenues consisted primarily of: (1) the cost of opaque hotel rooms from our suppliers, net of applicable taxes, (2) the cost of opaque airline tickets from our suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; and (3) the cost of opaque rental cars from our suppliers, net of applicable taxes. Cost of merchant revenues for the year ended December 31, 2006 increased 4.0%, compared to the same period in 2005, due primarily to the fact that merchant revenues increased comparably in the same period. Merchant price-disclosed hotel revenues are recorded at their net amounts, which are amounts received less amounts paid to suppliers and therefore, there are no associated costs of merchant price-disclosed hotel revenues.

Cost of Agency Revenues

Agency revenues are recorded at their net amount, which are amounts received less amounts paid to suppliers, if any, and therefore, there are no costs of agency revenues. For the year ended December 31, 2005, cost of agency revenues consisted exclusively of non-cash amortization expenses associated with acquisition activity.

Cost of Other Revenues

For the years ended December 31, 2006 and 2005, there were no costs of other revenues.

Gross Profit

Total gross profit for the year ended December 31, 2006 increased by 49.7% compared to the same period in 2005, primarily as a result of increased revenue from (1) our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively; and (2) increased sales of retail hotel room nights. The contribution to gross profit from airline ticket sales during the year ended December 31, 2006 was negatively impacted by a decrease in net GDS fees per ticket as compared to the same period in 2005, which contributed to lower margins on retail ticket sales in particular. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2006, compared to the same period in 2005, because *Name Your Own Price®* transactions, whose revenues are recorded "gross" with a corresponding cost of revenue, represented a smaller percentage of transactions compared to retail, price-disclosed transactions which are primarily recorded "net" with no corresponding cost of revenues. Because *Name Your Own Price®* transactions are reported "gross" and retail transactions are primarily recorded on a "net" basis, we believe that gross profit has become an increasingly important measure of evaluating growth in our business.

	Year Ended December 31, ($000)		Change
	2006	2005	
Merchant Gross Profit	$ 182,165	$ 165,214	10.3%
Merchant Gross Margin	20.1%	19.2%	
Agency Gross Profit	213,900	98,444	117.3%
Agency Gross Margin	100.0%	99.4%	
Other Gross Profit	5,034	4,205	19.7%
Other Gross Margin	100.0%	100.0%	
Total Gross Profit	$ 401,099	$ 267,863	49.7%
Total Gross Margin	35.7%	27.8%	

Merchant Gross Profit

Merchant gross profit consists of merchant revenues less the cost of merchant revenues. For the year ended December 31, 2006, merchant gross profit increased from the same period in 2005, primarily due to an increase in the sale of domestic merchant price-disclosed hotel room nights and *Name Your Own Price®* rental car days. The contribution to merchant gross profit from *Name Your Own Price®* airline ticket sales during the year ended December 31, 2006 was negatively impacted by a decrease in net GDS fees per ticket as compared to the same period in 2005. A substantial portion of the increase in merchant gross profit was due to services sold through our agreement with Orbitz, as discussed above. Our agreement with Orbitz expired on December 31, 2006. Merchant gross margin increased primarily because *Name Your Own Price®* transactions, whose revenues are recorded "gross" with a corresponding

cost of revenue, represented a smaller percentage of transactions in the year ended December 31, 2006, when compared to merchant price-disclosed hotel transactions, which are recorded "net" with no corresponding cost of revenues.

Agency Gross Profit

Agency gross profit consists of agency revenues, which are recorded net of agency costs, if any. For the year ended December 31, 2006, agency gross profit increased over the same period in 2005, primarily as a result of (1) growth in our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively; and (2) increased sales of retail hotel room nights and rental car days.

Other Gross Profit

During the year ended December 31, 2006, other gross profit increased from the same period in 2005 primarily as a result of higher online advertising revenues related to including results of operations from our online advertising company since it was acquired in June 2006.

Operating Expenses

Advertising

	Year Ended December 31, ($000)		Change
	2006	2005	
Offline Advertising	$31,831	$30,957	2.8%
% of Total Gross Profit	7.9%	11.6%	
Online Advertising	$113,822	$58,535	94.5%
% of Total Gross Profit	28.4%	21.9%	

Offline advertising expenses consist primarily of: (1) the expenses associated with domestic television, radio and print advertising; and (2) agency fees, the cost for creative talent and production costs for television and radio commercials. For the year ended December 31, 2006, offline advertising expenses were slightly higher than in the same period in 2005. Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) affiliate programs; (3) banner and pop-up advertisements; and (4) e-mail advertisements. For the year ended December 31, 2006, online advertising expenses increased significantly over the same period in 2005, primarily due to an increase in online advertising expenses related to (1) supporting the growth of our European operations, which rely primarily on online advertising to drive their businesses and (2) an increase in our domestic online advertising, including fees paid pursuant to our agreement with Orbitz.

Sales and Marketing

	Year Ended December 31, ($000)		Change
	2006	2005	
Sales and Marketing	$ 42,119	$ 34,295	22.8%
% of Total Gross Profit	10.5%	12.8%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third-party service providers that operate our call centers; and (3) provisions for credit card chargebacks. For the year ended December 31, 2006, sales and marketing expenses, which are substantially variable in nature, increased over the same period in 2005, primarily due to increased gross booking volumes.

Personnel

	Year Ended December 31, ($000)		Change
	2006	2005	
Personnel	$ 79,421	$ 49,659	59.9%
% of Total Gross Profit	19.8%	18.5%	

Personnel expenses consist of compensation to our personnel, including salaries, bonuses, taxes, employee health benefits and stock-based compensation. For the year ended December 31, 2006, personnel expenses increased over the same period in 2005, primarily due to increased personnel expenses associated with head count growth of our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively, increased employee performance bonus expense and an increase in stock-based compensation due mainly to the adoption of SFAS 123(R) on January 1, 2006, which requires companies to record non-cash compensation expense related to stock-based awards granted to employees. Stock-based compensation expense was approximately $14.9 million, for the year ended December 31, 2006, and approximately $4.2 million for the year ended December 31, 2005.

General and Administrative

	Year Ended December 31, ($000)		Change
	2006	2005	
General and Administrative	$ 28,587	$ 20,881	36.9%
% of Total Gross Profit	7.1%	7.8%	

General and administrative expenses consist primarily of: (1) fees for outside professionals, including litigation expenses; (2) occupancy expenses; and (3) business insurance. General and administrative expenses increased during the year ended December 31, 2006, over the same period during 2005, due to increased general and administrative expenses associated with the growth of our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which

were acquired in the third quarters of 2005 and 2004, respectively, and additional fees for outside professionals and expenses related to pending litigation. This increase was partially offset by the one-time receipt of certain franchise tax credits from the state of Connecticut in the amount of approximately $1.7 million.

Information Technology

	Year Ended December 31, ($000)		Change
	2006	2005	
Information Technology	$ 9,749	$ 10,622	(8.2)%
% of Total Gross Profit	2.4%	4.0%	

Information technology expenses consist primarily of: (1) system maintenance and software license fees; (2) data communications and other expenses associated with operating our Internet sites; and (3) payments to outside contractors. For the year ended December 31, 2006, information technology expenses decreased domestically from the same period in 2005, in part due to efficiencies resulting from the integration of Travelweb's operations. This decrease was partially offset by increased information technology expenses associated with our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively.

Depreciation and Amortization

	Year Ended December 31, ($000)		Change
	2006	2005	
Depreciation and Amortization	$ 33,449	$ 25,366	31.9%
% of Total Gross Profit	8.3%	9.5%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) amortization of internally developed and purchased software, (3) depreciation of computer equipment; and (4) depreciation of leasehold improvements, office equipment and furniture and fixtures. For the year ended December 31, 2006, depreciation and amortization expense increased from the same period in 2005, primarily as a result of increased non-cash acquisition related amortization expenses associated with our European operations, which are substantially comprised of Booking.com B.V. and Booking.com Limited, which were acquired in the third quarters of 2005 and 2004, respectively.

Restructuring Charge, net

	Year Ended December 31, ($000)		Change
	2006	2005	
Restructuring Charge, net	$ 135	$ 1,664	(91.9)%

In the year ended December 31, 2006, we recorded a restructuring charge of approximately $135,000 related to vacated leased property. In the year ended December 31, 2005, we recorded a net restructuring charge of approximately $1.7 million, consisting of a $2 million restructuring charge related to vacated leased property and a $336,000 restructuring reversal related to estimated costs to complete certain restructuring activities in Europe.

Interest

	Year Ended December 31, ($000)		Change
	2006	2005	
Interest Income	$ 11,312	$ 5,550	103.8%
Interest Expense	(7,060)	(5,075)	39.1%
Total	$ 4,252	$ 475	795.2%

For the year ended December 31, 2006, interest income on cash and marketable securities increased over the same period in 2005, primarily due to higher prevailing interest rates and significantly higher cash balances in the fourth quarter of 2006. Interest expense increased for the year ended December 31, 2006 over the same period in 2005, due primarily to an increase in debt balances in 2006, as well as an increase in prevailing interest rates on the variable portion of the interest rate swap agreement related to our 1% Convertible Senior Notes.

Taxes

	Year Ended December 31, ($000)		Change
	2006	2005	
Income Tax Benefit	$ 12,388	$ 156,277	(92.1)%

Income tax benefit for the years ended December 31, 2006 and 2005 differs from the expected tax expense at the U.S. statutory rate of 35% because it includes benefits amounting to $28.1 million and $170.5 million, respectively, resulting from a reversal of a portion of the valuation allowance on our deferred tax assets. Other items resulting in a difference between our effective tax rate and the statutory rate include the foreign tax benefit of interest expense on intercompany debt, and lower foreign tax rates, partly offset by state income taxes. In the fourth quarter of 2006, the Netherlands enacted a reduction in its statutory tax rate from 29.6% to 25.5%, effective January 1, 2007. We recognized a benefit of $3.0 million in the fourth quarter of 2006 resulting from the impact on deferred taxes of the Netherlands tax rate reduction. Due to our significant net operating loss carryforwards, we do not expect to pay significant cash taxes on our U.S. federal taxable income tax for the foreseeable future. We expect to make cash payments for U.S. alternative minimum tax and for certain international taxes.

Equity in Income (Loss) of Investees and Minority Interests

	Year Ended December 31, ($000)		Change
	2006	2005	
Equity in Income (Loss) of Investees and Minority Interests	$ (3,554)	$ 749	(574.5)%

Equity in income (loss) of investees and minority interests for the years ended December 31, 2006 and 2005, represented (1) minority interests associated with the ownership of priceline.com International that is held by certain managers of that business; and (2) equity in income (loss) of investees, principally comprised of our pro rata share of pricelinemortgage.com's net results. The change in equity in income of investees and minority interests versus the prior year was primarily due to an increase in the minority interest in the earnings of priceline.com International and a decrease in earnings of and an impairment charge recorded for our investment in pricelinemortgage.com. Due to recent losses incurred by pricelinemortgage.com, we reviewed the carrying value of our investment for impairment. Based upon recent operating results and future projected results, we determined that our investment was impaired on an other-than-temporary basis. Accordingly, in the third quarter, we recognized a charge of $1.1 million to reduce the carrying value of our equity investment in pricelinemortgage.com to its estimated fair value.

Liquidity and Capital Resources

The following discussion gives effect to the restatement as discussed in Note 21 to the accompanying Consolidated Financial Statements. As of December 31, 2007, we had $507.9 million in cash, cash equivalents and short-term investments. We generally invest excess cash to make such funds readily available for operating purposes. Cash equivalents and short-term investments are primarily comprised of highly liquid, high quality, investment grade debt instruments.

All of our merchant transactions are structured such that we collect cash up front from our customers and then we pay most of our suppliers at a subsequent date. We therefore tend to experience significant swings in supplier payables depending on the absolute level of our cost of revenue during the last few weeks of every quarter. This can cause volatility in working capital levels and impact cash balances more or less than our operating income would indicate.

Net cash provided by operating activities for the year ended December 31, 2007, was $156.0 million, resulting from net income of $157.1 million, non-cash items not affecting 2007 cash flows of $18.9 million offset by $19.9 million of negative changes in working capital. Net income includes a charge of $55.4 million paid to settle litigation, $21.9 million received in excise tax refunds and related interest (see Note 17 to our Consolidated financial Statements for further information regarding the litigation settlement and excise tax refund) and a $1.2 million favorable litigation settlement related to credit card processing fees. The changes in working capital for the year ended December 31, 2007, were primarily related to a $33.4 million increase in accounts receivable, prepaid expenses and other current assets, partially offset by a $9.8 million increase in accounts payable, accrued expenses and other current liabilities. The increases in accounts receivable and accounts payable are primarily due to significant revenue growth for our international operations. Accrued expenses and other current liabilities increased primarily due to a $5.3 million increase in bonus accruals and a $3.6 million increase in online advertising accruals. We do not believe there has been any significant change in credit risk regarding our accounts receivable. Non-cash items were primarily associated with deferred income tax benefit, stock-based compensation expense, depreciation and amortization, primarily related to acquisition-related intangible assets. The deferred income tax benefit resulted primarily from the $47.9 million non-cash reversal of a portion of our deferred income tax valuation allowance, as well as a $3.6 million non-recurring income tax benefit resulting from the recognition of foreign capital allowance carry forwards in the fourth quarter

of 2007. Net cash provided by operating activities for the year ended December 31, 2006, was $112.1 million, resulting from net income of $74.5 million, non-cash items not affecting 2006 cash flows of $32.7 million and $4.9 million of positive changes in working capital. The changes in working capital for the year ended December 31, 2006, were primarily related to a $27.4 million increase in accounts payable, accrued expenses and other current liabilities, partially offset by a $21.2 million increase in accounts receivable. The increases in accounts receivable and accounts payable were primarily due to an increase in merchant bookings in the fourth quarter of 2006 compared to the same period in 2005. Accrued expenses and other current liabilities increased primarily due to an $8.2 million increase in bonus accruals and a $5.0 million increase in on-line advertising accruals. Non-cash items were primarily associated with deferred income tax benefit, stock-based compensation expense, depreciation and amortization, primarily related to intangible assets acquired in our acquisitions of Travelweb, Booking.com Limited and Booking.com B.V. The non-cash deferred income tax benefit resulted primarily from the $28.1 million reversal of a portion of our deferred income tax valuation allowance.

Net cash used in investing activities was $221.5 million for the year ended December 31, 2007. Investing activities were affected by $116.1 million of net purchases of investments for the year ended December 31, 2007, and the purchase of $76.1 million of stock in priceline.com International held by minority interest shareholders. In addition, in the year ended December 31, 2007, we invested $14.6 million, net of cash acquired, in acquisitions, the substantial majority of which related to the Agoda Companies. Net cash provided by investing activities was $49.0 million for the year ended December 31, 2006. Investing activities for the year ended December 31, 2006 were affected by $64.9 million of net redemptions of short-term investments, partially offset by the purchase of $19.8 million of stock in priceline.com International held by minority interest shareholders. Additionally, restricted cash decreased by $19.9 million in 2006 as we are no longer required to collateralize outstanding letters of credit with restricted cash balances. Cash invested in purchases of property and equipment was $15.9 million and $12.9 million in the years ended December 31, 2007 and 2006, respectively.

Net cash provided by financing activities was approximately $19.4 million for the year ended December 31, 2007. The cash provided by financing activities during the year ended December 31, 2007 was primarily related to $19.8 million of proceeds from the exercise of employee stock options and $3.6 million of excess tax benefits from stock-based compensation, partially offset by $2.6 million of treasury stock purchases and $1.3 million of debt issuance costs. Net cash provided by financing activities was approximately $177.1 million for the year ended December 31, 2006. The cash provided by financing activities during the year ended December 31, 2006 was primarily related to the issuance of $345 million of senior convertible notes and $14.1 million of proceeds from the exercise of employee stock options, offset by $135.8 million of treasury stock purchases, $9.1 million of debt issuance costs and $37.4 million for the purchase of conversion spread hedges.

The following table represents the Company's material contractual obligations and commitments as of December 31, 2007 (see Note 17 to the Consolidated Financial Statements):

		Payments due by Period (in thousands)			
	Total	Less than One Year	Two to Three Years	Four to Five Years	After Five Years
Operating lease obligations	$ 24,432	$ 6,327	$ 11,926	$ 4,914	$ 1,265
Convertible debt(1)	575,062	575,062	—	—	—
Minority interest(2)	95,000	95,000	—	—	—
Total	$ 694,494	$ 676,389	$ 11,926	$ 4,914	$ 1,265

(1) At December 31, 2007 the Company's convertible debt is a current liability because the contingent conversion thresholds on each of the Notes were exceeded. As a result, the Notes are convertible at the option of the holder. See Note 12 to the Consolidated Financial Statements. Also includes interest payable on the Notes thru 2008.

(2) Assumes holders of minority interests put their shares to us at the earliest possible date based upon the estimated fair value at December 31, 2007 (see Note 15 for terms of put provisions).

As more fully discussed in Note 15 to the Consolidated Financial Statements, after giving effect to the October 2007 repurchase of priceline.com International shares, the total minority interest in priceline.com International on a fully diluted basis is approximately 3.3% at December 31, 2007. The aggregate fair value of the minority interest in priceline.com International subject to future puts and calls is estimated to be approximately $95 million at December 31, 2007, including unvested restricted stock and restricted stock units. We expect the future fair value of the minority interest to grow based upon expected continued strong performance of the international business.

Based upon the closing price of our common stock during the measurement periods provided for by our convertible debt during the three months ended December 31, 2007, the contingent conversion thresholds on each of our convertible senior note issues were exceeded. As a result, all of our outstanding notes (aggregate principal amount $570 million) are convertible at the option of the holder as of December 31, 2007 and, accordingly, have been classified as a current liability in the Consolidated Balance Sheet as of that date. While many factors contribute to the likelihood that the holders of the notes will elect to convert all or a portion of the notes, as the price of our common stock increases, the likelihood of conversion also increases. If holders elect to convert, we would be required to settle the principal amount of the notes in cash and the conversion premium in cash or shares of common stock at our option. We would likely fund the repayment with existing cash and cash equivalents, short-term investments (totaling approximately $507.9 million at December 31, 2007), borrowings under our revolving credit facility, common stock issuances and/or additional borrowings.

In September 2007, we entered into a $175 million five-year revolving credit facility with a group of lenders, which is secured, subject to certain exceptions, by a first-priority security interest on substantially all of our assets and related intangible assets located in the United States. In addition, our obligations under the revolving credit facility are guaranteed by substantially all of the assets and related intangible assets of our material direct and indirect domestic and foreign subsidiaries. Borrowings under the revolving credit facility will bear interest, at our option, at a rate per annum equal to the greater of (a) JPMorgan Chase Bank, National Association's prime lending rate and (b) the federal funds rate plus ½ of 1%, plus an applicable margin ranging from 0.25% to 0.75%; or at an adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.25% to 1.75%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.25% to 0.375%.

The revolving credit facility provides for the issuance of up to $50 million of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, which are available in U.S. dollars, Euros, Pounds Sterling and any other foreign currency agreed to by the lenders. The Company may request that an additional $100 million be added to the revolving credit facility or to enter into one or more tranches of additional term loans. The proceeds of loans made under the facility could be used for working capital or general corporate purposes. As of December 31, 2007, there were no borrowings outstanding under the facility and the Company has issued approximately $14.7 million of letters of credit under the 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. There are no assurances that we will generate sufficient cash flow from operations in the future, that revenue growth or sustained profitability will be realized or that future borrowings or equity sales will 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, 2007, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material 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 an interest rate swap agreement to manage interest risk and forward contracts to manage 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.

We did not experience any material changes in interest rate exposures during the year ended December 31, 2007. Based upon economic conditions and leading market indicators at December 31, 2007, we do not foresee a significant adverse change in interest rates in the near future.

As of December 31, 2007, the carrying value of our debt is approximately $570 million. We estimate that the fair market value of such debt was approximately $1.66 billion as of December 31, 2007.

As of December 31, 2007, we held an interest rate swap agreement on $45 million notional value of our fixed rate debt. The fair value cost to terminate this swap as of December 31, 2007 was approximately $0.1 million. A 10% adverse fluctuation in the 3-month LIBOR rate as of December 31, 2007, would increase the cost to terminate the interest rate swap by approximately $0.1 million. Any increase or decrease in the fair value of the Company's interest rate sensitive derivative instrument would be substantially offset by a corresponding decrease or increase in the fair value of the hedged underlying debt.

As a result of the acquisitions of our European and Asian operations, we are conducting a significant and growing portion of our business outside the United States through subsidiaries with functional currencies other then the U.S. dollar (primarily Euros and British Pounds). As a result, we face exposure to adverse movements in currency exchange rates as the financial 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, net revenues, operating expenses, and net income or loss. Similarly, our net assets, net revenues, operating expenses, and net income or loss will decrease if the U.S. dollar strengthens against local currency. 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 Consolidated Statement of Operations. Our international operations are subject to risks typical of international business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility.

From time to time, we enter into foreign exchange forward contracts to minimize the impact of short-term foreign currency fluctuations on our consolidated operating results. As of December 31, 2007, contracts with notional values of 16.0 million Euros and 3.7 million British Pounds were outstanding to minimize the impact of short-term foreign currency fluctuations on consolidated operating results. As of December 31, 2006, contracts with notional values of 17.6 million Euros were outstanding. Foreign exchange gains (losses) from forward contracts in the amount of ($3.0 million), ($1.5 million) and $0.3 million were recorded in other income (expense) for the years ended December 31, 2007, 2006 and 2005, respectively. We may enter into additional forward contracts or other economic hedges in the future.

Additionally, fixed rate investments are subject to unrealized gains and losses due to interest rate volatility. To the extent that changes in interest rates and currency exchange rates affect general economic conditions, priceline.com would also be affected by such changes.

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 Item 15).

Consolidated Balance Sheets as of December 31, 2007 and 2006; Consolidated Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the years ended December 31, 2007, 2006 and 2005; 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.

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 Rules 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 *Internal Control - Integrated Framework* 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, 2007. We excluded from our assessment the internal control over financial reporting at the Agoda Companies, which were acquired on November 6, 2007 and whose financial statements reflect total assets and revenues constituting approximately 2% and 1%, respectively, of the related Consolidated Financial Statement amounts as of and for the year ended December 31, 2007.

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.

Deloitte & Touche LLP, the independent registered public accounting firm that also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, audited the effectiveness of internal control over financial reporting as of December 31, 2007, and issued their related attestation report which is included herein.

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 quarter ended December 31, 2007 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

In November 2007, we acquired the Agoda Companies, and as a result of that acquisition, we have undertaken a review of their internal controls and intend to make changes, if necessary, that we believe to be appropriate to those internal controls as we integrate its business with ours. As we further integrate Agoda's business, we will continue to review its internal controls and may take further steps to ensure that its internal controls are effective and integrated appropriately.

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 2008 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, 2007, 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 2008 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, 2007, 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 2008 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, 2007, 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 2008 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, 2007, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by Part III, Item 14, will be included in or Proxy Statement relating to our 2008 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2007, 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, 2007 and 2006; and the related Consolidated Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the years ended December 31, 2007, 2006 and 2005; Notes to Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

(b) Exhibits

The exhibits listed below are filed as a part of this Annual Report on Form 10-K.

Exhibit Number	Description
2.1(x)	Share Sale and Purchase Agreement, dated July 14, 2005 by and between the Registrant, ACME Limited and Blue Sky Investments B.V.
2.2(aa)	Articles of Association of priceline.com International Limited, as amended.
3.1(a)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2(b)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant
3.3(a)	By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1, 3.2 and 3.3.
4.2(a)	Specimen Certificate for Registrant's Common Stock.
4.3(a)	Amended and Restated Registration Rights Agreement, dated as of December 8, 1998, among the Registrant and certain stockholders of the Registrant.
4.4(b)	Registration Rights Agreement, dated as of August 1, 2003, among the Registrant and the initial purchasers named therein.
4.5(b)	Indenture, dated as of August 1, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.6(b)	Supplemental Indenture, dated as of October 22, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.7(d)	Second Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.8(c)	Registration Rights Agreement, dated as of June 28, 2004, among priceline.com Incorporated and the initial purchasers named therein.
4.9(c)	Indenture, dated as of June 28, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.10(d)	First Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.11(b)	Certificate of Designation, Preferences and Rights of Series A Convertible Redeemable PIK Preferred Stock of the Registrant.
4.12(b)	Certificate of Designation, Preferences and Rights of Series B Redeemable Preferred Stock of the Registrant.
4.13(gg)	Indenture, dated as of September 27, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.14(gg)	Registration Rights Agreement, dated as of September 27, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
4.15(ii)	Indenture relating to New 1.00% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.16(ii)	Indenture relating to New 2.25% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
10.1(a)+	1997 Omnibus Plan of the Registrant.
10.2(e)+	1999 Omnibus Plan of the Registrant, as amended.

10.3(f)+	Priceline.com 2000 Employee Stock Option Plan.
10.4(e)+	Form of Stock Option Grant Agreement.
10.5(e)+	Form of Restricted Stock Agreement for restricted stock grants to Board of Directors.
10.6(g)+	Form of Base Restricted Stock Agreement (U.S.).
10.7(g)+	Form of Base Restricted Stock Agreement (U.K.).
10.8(g)+	Form of Restricted Stock Agreement with covenants (U.S.).
10.9(g)+	Employment Agreement, dated February 7, 2005, by and between Jeffery H. Boyd and the Registrant.
10.10(g)+	Restricted Stock Agreement, dated February 1, 2005, between Jeffery H. Boyd and the Registrant.
10.12(f)+	Employment Agreement, dated November 20, 2000, between the Registrant and Robert Mylod Jr.
10.13(j)+	Amendment to Employment Agreement, dated June 15, 2001, by and between the Registrant and Robert Mylod Jr.
10.14(h)+	Stock Option and Restricted Stock Agreement, dated November 20, 2000, by and between the Registrant and Robert Mylod Jr.
10.15(g)+	Restricted Stock Agreement, dated February 1, 2005, between Robert J. Mylod Jr. and the Registrant.
10.16(h)+	Employment Agreement, dated December 20, 2000, by and between the Registrant and Ronald Rose.
10.17(k)+	Employment Agreement, dated February 8, 2006, by and between the Registrant and Peter J. Millones.
10.18(i)+	Employment Letter Agreement, dated January 2, 2002, by and between the Registrant and Brett Keller.
10.19(g)+	Employment Agreement, dated February 7, 2005, by and between the Registrant and Chris Soder.
10.20(a)*	General Agreement, dated August 31, 1998, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.21(a)*	Airline Participation Agreement, dated August 31, 1998, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.22(a)*	Amendment to the Airline Participation Agreement and the General Agreement, dated December 31, 1998, between and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.23(l)	Letter Agreement, dated July 16, 1999, between the Registrant and Delta Air Lines, Inc.
10.24(m)	Master Agreement, dated November 17, 1999, between the Registrant and Delta Air Lines, Inc.
10.25(m)	Amendment to the Airline Participation Agreement and the General Agreement, dated November 17, 1999, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.26(n)	Stockholder Agreement, dated February 6, 2001, between the Registrant and Delta Air Lines, Inc.
10.27(n)	Warrant Agreement, dated February 6, 2001, by and between the Registrant and Delta Air Lines, Inc.
10.28(o)*	Formation and Funding Agreement, dated as of March 17, 2000, by and between the Registrant and Alliance Partners, L.P.
10.29(p)	Stock Purchase Agreement, dated as of February 15, 2001, among the Registrant, Prime Pro Group Limited and Forthcoming Era Limited.
10.30(p)	Registration Rights Agreement, dated as of February 15, 2001, among the Registrant, Prime Pro Group Limited and Forthcoming Era Limited.
10.31(q)	Stockholders' Agreement by and among the Registrant, Prime Pro Group Limited, Forthcoming Era Limited, Potton Resources Limited and Ultimate Pioneer Limited, dated as of June 5, 2001.
10.32(i)	Subscriber Entity Agreement, dated October 1, 2001, by and between Worldspan, L.P. and the Registrant.
10.33(i)	Amendment to the Worldspan, L.P. Subscriber Agreement, dated October 1, 2001, by and between Worldspan, L.P. and the Registrant.
10.34(r)*	Second Amendment to the Worldspan Subscriber Entity Agreement, dated April 1, 2003, by and between the Registrant and Worldspan, L.P.
10.35(t)	Restructuring Agreement, dated as of October 3, 2003, between Hutchison-Priceline Limited, Trio Happiness Limited and PCLN Asia, Inc.
10.36(t)	Amended and Restated Securityholders' Agreement, dated as of October 3, 2003, among Hutchison-Priceline Limited, PCLN Asia, Inc. and Trio Happiness Limited.
10.37(t)	Master Agreement, dated as of November 20, 2003, between Credit Suisse First Boston International and the Registrant.
10.38(t)	Schedule to the Master Agreement, dated as of November 20, 2003 between Credit Suisse First Boston International and the Registrant.

10.39(t)	Letter Agreement, dated November 26, 2003, between Credit Suisse First Boston International and pricleine.com Incorporated.
10.40(t)	Securities Purchase Agreement dated as of May 3, 2004, between Lowestfare.com Incorporated, Hilton Electronic Distribution Systems, LLC, HT-HDS, Inc., MI Distribution, LLC, Starwood Resventure LLC, Pegasus Business Intelligence, LP and Travelweb LLC.
10.41(v)	Sale and Purchase Agreement dated September 21, 2004 by and among Priceline.com Holdco U.K. Limited and the security holders of Active Hotels Limited listed therein.
10.42(k)+	Form of priceline.com Incorporated 1999 Omnibus Plan Restricted Stock Agreement for Non-Employee Directors.
10.43(y)+	Stock Option Grant Agreement with Ralph M. Bahna.
10.44(y)+	Indemnification Agreement, dated June 2, 2005, by and between the Registrant and Marshall Loeb.
10.45(z)+	Employment Agreement, dated September 21, 2004, by and between Andrew J. Phillipps and Active Hotels Limited.
10.46(z)+	Subscription Letter for Purchased Ordinary Shares of Active Hotels Limited, dated September 21, 2004, with Andrew J. Phillipps.
10.47(z)+	Subscription Letter for Granted Ordinary Shares of Active Hotels Limited, dated September 21, 2004, with Andrew J. Phillipps.
10.48(z)+	Terms and Conditions of Participation in the priceline.com International Limited Management Incentive Plan, dated July 14, 2005, by and between Andrew J. Phillipps and priceline.com International Limited.
10.49(bb)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.50(bb)+	Restricted Stock Grant Agreement, dated October 19, 2005, reflecting grant of restricted stock to Daniel J. Finnegan.
10.51(bb)+	Part-Time Employment and Transition Agreement, dated October 20, 2005, by and between the Registrant and Thomas P. D'Angelo.
10.52(cc)+	Employment Agreement, dated July 14, 2005 between Bookings Europe B.V. and Stef Norden.
10.53(cc)+	Form of Registrant's 1999 Omnibus Plan Award Agreement — Restricted Stock Units for Employees in the Netherlands.
10.54(dd)+	Form of Performance Share Agreement under the priceline.com Incorporated 1999 Omnibus Plan.
10.55(ee)	Underwriting Agreement, dated September 5, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.56(ff)	Purchase Agreement, dated as of September 21, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
10.57(ff)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.58(ff)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.59(ff)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.60(ff)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.61(hh)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.62(hh)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.63(jj)	Underwriting Agreement, dated December 4, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.64(kk)+	Priceline.com Incorporated Annual Bonus Plan, dated as of February 20, 2007.
10.65(ll)	Stipulation and Agreement of Settlement between P. Warren Ross, Thomas Linton, and John Anderson and the class and priceline.com Incorporated, dated as of May 3, 2007.
10.66(mm)	Credit Agreement dated as of September 26, 2007 among priceline.com Incorporated, RBC citizens, National Association, and Bank of Scotland plc as co-documentation Agents, bank of America, N.A. as syndication Agent and JPMorgan Chase Bank, National Association as Administrative Agent.

10.67(mm)	Pledge and Security Agreement dated as of September 26, 2007 by and among priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.68(mm)	Guaranty dated as of September 26, 2007 by each of the subsidiaries of priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.69*	Equity Purchase Agreement by and among priceline.com Mauritius Co. Ltd, priceline.com Incorporated and the shareholders of Agoda Company Ltd. and members of AGIP LLC dated November 6, 2007.
10.70(nn)+	Performance share unit agreement dated December 1, 2007.
12.1	Calculation of ratio of earnings to fixed charges.
14(t)	Priceline.com Incorporated Code of Business Conduct and Ethics.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certificate of Jeffery H. Boyd, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Robert J. Mylod Jr., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(w)	Certification of Jeffery H. Boyd, 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(w)	Certification of Robert J. Mylod Jr., 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).

(a) Previously filed as an exhibit to the Form S-1 (Registration No. 333-69657) filed in connection with priceline.com's initial public offering.
(b) Previously filed as an exhibit to the Form S-3 (Registration Statement No. 333-190029) filed in connection with priceline.com's registration of 1.00% Convertible Senior Notes due 2010 and Shares of Common Stock Issuable Upon Conversion of the Notes.
(c) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2003.
(d) Previously filed as an exhibit to the Form 8-K filed on December 13, 2004.
(e) Previously filed as an exhibit to the Form S-8 (Registration No. 333-122414) filed on January 31, 2005.
(f) Previously filed as an exhibit to the Form S-8 (Registration No. 333-55578) filed on February 14, 2001.
(g) Previously filed as an exhibit to the Form 8-K filed on February 7, 2005.
(h) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2000.
(i) Previously filed as an exhibit to the Form 10-K/A for the year ended December 31, 2001.
(j) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended June 30, 2001.
(k) Previously filed as an exhibit to the Form 8-K filed on February 8, 2006.
(l) Previously filed as an exhibit to the Form S-1 (Registration No. 333-83513) filed in connection with priceline.com's secondary public offering.
(m) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 1999.
(n) Previously filed as an exhibit to the Form 8-K filed on February 8, 2001.
(o) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2000.
(p) Previously filed as an exhibit to the Form 8-K filed on February 20, 2001.
(q) Previously filed as an exhibit to the Form 8-K filed on June 6, 2001.
(r) Previously filed as an exhibit to the Form 10-Q/A for the quarterly period ended June 30, 2003.
(s) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2003.
(t) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2003.
(u) Previously filed as an exhibit to the Form 8-K filed on July 7, 2004.
(v) Previously filed as an exhibit to the Form 8-K filed on September 23, 2004.
(w) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.
(x) Previously filed as an exhibit to the Form 8-K filed on July 20, 2005.
(y) Previously filed as an exhibit to the Form 8-K filed on June 3, 2005.
(z) Previously filed as an exhibit to the Form 8-K filed on July 25, 2005.
(aa) Previously filed as an exhibit to the Form 8-K filed on September 29, 2005.
(bb) Previously filed as an exhibit to the Form 8-K filed on October 21, 2005.
(cc) Previously filed as an exhibit to the Form 8-K filed on November 8, 2005.
(dd) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2006.
(ee) Previously filed as an exhibit to the Form 8-K filed on September 7, 2006.
(ff) Previously filed as an exhibit to the Form 8-K filed on September 27, 2006.
(gg) Previously filed as an exhibit to the Form 8-K filed on September 28, 2006.
(hh) Previously filed as an exhibit to the Form 8-K filed on October 16, 2006.
(ii) Previously filed as an exhibit to the Form 8-K filed on November 9, 2006.
(jj) Previously filed as an exhibit to the Form 8-K filed on December 8, 2006.
(kk) Previously filed as an exhibit to the form 8-K filed on February 23, 2007.
(ll) Previously filed as an exhibit to the Form 8-K filed on May 4, 2007
(mm) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007
(nn) Previously filed as an exhibit to the Form 8-K filed on December 5, 2007

* Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Commission pursuant to Rule 24b-2. The omitted confidential material has been filed separately with the Commission.
\+ Indicates a management contract or compensatory plan or arrangement.

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.

PRICELINE.COM INCORPORATED

By: /s/ Jeffery H. Boyd
Name: Jeffery H. Boyd
Title: Chief Executive Officer
Date: March 3, 2008

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffery H. Boyd, Robert J. Mylod Jr. 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 and Exchange Act of 1934 and any rules, regulations and requirements of the U.S. 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
/s/ Ralph M. Bahna Ralph M. Bahna	Chairman and Director	March 3, 2008
/s/ Jeffery H. Boyd Jeffery H. Boyd	President, Chief Executive Officer and Director (Principal Executive Officer)	March 3, 2008
/s/ Daniel J. Finnegan Daniel J. Finnegan	Chief Accounting Officer and Controller (Principal Accounting Officer)	March 3, 2008
/s/ Robert J. Mylod Jr. Robert J. Mylod Jr.	Chief Financial Officer (Principal Financial Officer)	March 3, 2008

Signature	Title	Date
s/ Howard W. Barker, Jr. Howard W. Barker, Jr.	Director	March 3, 2008
/s/ Jeffrey E. Epstein Jeffrey E. Epstein	Director	March 3, 2008
/s/ James M. Guyette James M. Guyette	Director	March 3, 2008
/s/ Nancy B. Peretsman Nancy B. Peretsman	Director	March 3, 2008
/s/ Craig W. Rydin Craig W. Rydin	Director	March 3, 2008
/s/ Jan L. Docter Jan L. Docter	Director	March 3, 2008

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page No.
Report of Independent Registered Public Accounting Firm	82
Consolidated Balance Sheets as of December 31, 2007 and 2006 (restated)	84
Consolidated Statements of Operations for the years ended December 31, 2007, 2006 and 2005	85
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2007, 2006 and 2005	86
Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 (restated) and 2005 (restated)	87
Notes to Consolidated Financial Statements	88

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
priceline.com Incorporated
Norwalk, Connecticut

We have audited the accompanying consolidated balance sheets of priceline.com Incorporated and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. We also have audited the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in ''Management's Report on Internal Control Over Financial Reporting'' management excluded from its assessment the internal control over financial reporting of the Agoda Companies which were acquired on November 6, 2007 and whose financial statements constitute 3% and 2% of net and total assets, respectively, 1% of revenues and (1%) of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2007. Accordingly, our audit did not include the internal control over financial reporting at the Agoda Companies. The Company's management is responsible for these financial statements, 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 these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of priceline.com Incorporated and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 2, effective January 1, 2006, the Company adopted Statement of Accounting Standards No. 123(R), *Share-Based Payment*.

As discussed in Note 21, the 2006 and 2005 consolidated financial statements have been restated.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
March 2, 2008

priceline.com Incorporated
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2007	December 31, 2006 As Restated (See Note 21)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 385,359	$ 423,577
Restricted cash	1,350	2,459
Short-term investments	122,499	7,983
Accounts receivable, net of allowance for doubtful accounts of $2,309 and $1,651, respectively	70,712	48,536
Prepaid expenses and other current assets	33,080	20,534
Total current assets	613,000	503,089
Long-term investments	2,451	—
Property and equipment, net	27,088	21,691
Intangible assets, net	182,748	152,925
Goodwill	287,159	226,707
Deferred taxes	218,519	179,392
Other assets	19,891	21,844
Total assets	$ 1,350,856	$ 1,105,648
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 47,708	$ 49,032
Accrued expenses and other current liabilities	59,589	46,872
Deferred merchant bookings	17,750	4,768
Convertible debt	569,796	—
Total current liabilities	694,843	100,672
Deferred taxes	46,502	39,714
Other long-term liabilities	13,368	11,885
Convertible debt	—	568,865
Total liabilities	754,713	721,136
Commitments and Contingencies (see Note 17)		
Minority interest	17,036	22,486
Series B mandatorily redeemable preferred stock, $0.01 par value; 80,000 authorized shares; $1,000 liquidation value per share; 80,000 shares issued, 13,470 shares outstanding	—	13,470
Stockholders' equity:		
Common stock, $0.008 par value, authorized 1,000,000,000 shares, 45,117,685 and 43,215,712 shares issued, respectively	346	331
Treasury stock, 6,646,408 and 6,603,050 shares, respectively	(489,106)	(486,468)
Additional paid-in capital	2,124,029	2,070,379
Accumulated deficit	(1,106,506)	(1,262,033)
Accumulated other comprehensive income	50,344	26,347
Total stockholders' equity	579,107	348,556
Total liabilities and stockholders' equity	$ 1,350,856	$ 1,105,648

See Notes to Consolidated Financial Statements

priceline.com Incorporated
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2007	2006	2005
Merchant revenues, including $18,592 excise tax refund in 2007	$ 1,002,824	$ 904,169	$ 859,404
Agency revenues	398,246	213,900	99,051
Other revenues	8,339	5,034	4,205
Total revenues	1,409,409	1,123,103	962,660
Cost of merchant revenues	769,997	722,004	694,190
Cost of agency revenues	—	—	607
Cost of other revenues	—	—	—
Total costs of revenues	769,997	722,004	694,797
Gross profit	639,412	401,099	267,863
Operating expenses:			
Advertising – Offline	35,963	31,831	30,957
Advertising – Online	172,676	113,822	58,535
Sales and marketing	47,158	42,119	34,295
Personnel, including stock-based compensation of $16,253, $14,928 and $4,169, respectively	102,992	79,421	49,659
General and administrative, including net cost of litigation settlement of $55,350 in 2007, and option payroll taxes of $909, $368 and $111, respectively	91,837	28,587	20,881
Information technology	13,779	9,749	10,622
Depreciation and amortization	37,072	33,449	25,366
Restructuring charge, net	—	135	1,664
Total operating expenses	501,477	339,113	231,979
Operating income	137,935	61,986	35,884
Other income (expense):			
Interest income, including $3,346 of interest on tax excise refund in 2007	25,776	11,312	5,550
Interest expense	(10,412)	(7,060)	(5,075)
Other	(3,276)	(606)	(656)
Total other income (expense)	12,088	3,646	(181)
Earnings before income taxes, equity in income (loss) of investees and minority interests	150,023	65,632	35,703
Income tax benefit (see Note 16)	12,059	12,388	156,277
Equity in income (loss) of investees and minority interests	(5,000)	(3,554)	749
Net income	157,082	74,466	192,729
Preferred stock dividend	(1,555)	(1,927)	(1,854)
Net income applicable to common stockholders	$ 155,527	$ 72,539	$ 190,875
Net income applicable to common stockholders per basic common share	$ 4.13	$ 1.88	$ 4.87
Weighted average number of basic common shares outstanding	37,671	38,650	39,161
Net income applicable to common stockholders per diluted common share	$ 3.42	$ 1.68	$ 4.21
Weighted average number of diluted common shares outstanding	45,504	44,722	46,436

See Notes to Consolidated Financial Statements

priceline.com Incorporated
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 and 2005 (In thousands)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Treasury Stock		Deferred	
	Shares	Amount	Capital	Deficit	Income (Loss)	Shares	Amount	Compensation	Total
Balance, January 1, 2005	41,357	$ 317	$ 2,064,224	$ (1,525,447)	$ 11,941	(2,496)	$ (350,628)	$ (1,264)	$ 199,143
Net income applicable to common stockholders	—	—	—	190,875	—	—	—	—	190,875
Unrealized gain on marketable securities	—	—	—	—	412	—	—	—	412
Currency translation adjustment	—	—	—	—	(20,760)	—	—	—	(20,760)
Comprehensive income	—	—	—	—	—	—	—	—	170,527
Issuance of restricted stock under deferred compensation plans, net of forfeitures	288	2	8,583	—	—	—	—	(8,585)	—
Amortization of deferred compensation	—	—	—	—	—	—	—	3,039	3,039
Issuance of preferred stock dividend	80	1	1,853	—	—	—	—	—	1,854
Exercise of stock options	470	3	6,655	—	—	—	—	—	6,658
Repurchase of warrants	—	—	(12,150)	—	—	—	—	—	(12,150)
Balance, December 31, 2005	42,195	$ 323	$ 2,069,165	$ (1,334,572)	$ (8,407)	(2,496)	$ (350,628)	$ (6,810)	$ 369,071
Net income applicable to common stockholders	—	—	—	72,539	—	—	—	—	72,539
Unrealized gain on marketable securities	—	—	—	—	131	—	—	—	131
Currency translation adjustment	—	—	—	—	34,623	—	—	—	34,623
Comprehensive income	—	—	—	—	—	—	—	—	107,293
Issuance of restricted stock under deferred compensation plans, net of forfeitures	113	1	(1)	—	—	—	—	—	—
Reversal of deferred compensation upon adoption of SFAS 123(R)	—	—	(6,810)	—	—	—	—	6,810	—
Issuance of preferred stock dividend	81	1	1,926	—	—	—	—	—	1,927
Exercise of stock options and vesting of restricted stock units	827	6	14,128	—	—	—	—	—	14,134
Repurchase of common stock	—	—	—	—	—	(4,107)	(135,840)	—	(135,840)
Purchase of conversion spread hedges (see note 12)	—	—	(37,398)	—	—	—	—	—	(37,398)
Stock-based compensation	—	—	13,389	—	—	—	—	—	13,389
Tax benefit on equity-related transactions	—	—	15,577	—	—	—	—	—	15,577
Excess tax benefit from stock-based compensation and other	—	—	403	—	—	—	—	—	403
Balance, December 31, 2006	43,216	$ 331	$ 2,070,379	$ (1,262,033)	$ 26,347	(6,603)	$ (486,468)	$ —	$ 348,556
Net income applicable to common stockholders	—	—	—	155,527	—	—	—	—	155,527
Unrealized loss on marketable securities	—	—	—	—	(187)	—	—	—	(187)
Currency translation adjustment	—	—	—	—	24,184	—	—	—	24,184
Comprehensive income	—	—	—	—	—	—	—	—	179,524
Issuance of restricted stock under deferred compensation plans, net of forfeitures	122	1	(1)	—	—	—	—	—	—
Issuance of preferred stock dividend	35	1	1,554	—	—	—	—	—	1,555
Exercise of stock options and vesting of restricted stock units and/or performance shares	988	7	19,813	—	—	—	—	—	19,820
Repurchase of common stock	—	—	—	—	—	(43)	(2,638)	—	(2,638)
Stock-based compensation	—	—	15,200	—	—	—	—	—	15,200
Exercise of warrants	756	6	13,464	—	—	—	—	—	13,470
Issuance of shares related to convertible debt	1	—	23	—	—	—	—	—	23
Excess tax benefit from stock-based compensation	—	—	3,597	—	—	—	—	—	3,597
Balance, December 31, 2007	45,118	$ 346	$ 2,124,029	$ (1,106,506)	$ 50,344	(6,646)	$ (489,106)	$ —	$ 579,107

See Notes to Consolidated Financial Statements

Priceline.com Incorporated
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2007	2006	2005
		As Restated (See Note 21)	As Restated (See Note 21)
OPERATING ACTIVITIES:			
Net income	$ 157,082	$ 74,466	$ 192,729
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,814	10,124	8,668
Amortization	25,686	24,782	18,634
Provision for uncollectible accounts	4,886	5,071	2,331
Deferred income taxes	(47,963)	(27,805)	(160,618)
Stock-based compensation expense	16,253	14,928	4,169
Amortization of debt issuance costs	3,201	1,925	1,476
Equity in (income) loss of investee, net and minority interests	5,000	3,554	(749)
Restructuring charge, net	—	135	1,664
Changes in assets and liabilities:			
Accounts receivable	(24,227)	(21,178)	(8,339)
Prepaid expenses and other current assets	(9,166)	(2,562)	808
Accounts payable, accrued expenses and other current liabilities	9,778	27,372	(3,498)
Other	3,671	1,269	5,367
Net cash provided by operating activities	156,015	112,081	62,642
INVESTING ACTIVITIES:			
Purchase of investments	(173,904)	(111,953)	(87,011)
Redemption of investments	57,854	176,845	137,490
Acquisitions and other equity investments, net of cash acquired	(14,580)	(3,104)	(135,160)
Additions to property and equipment	(15,949)	(12,851)	(11,030)
Change in restricted cash	1,138	19,884	1,226
(Purchase) sale of shares in subsidiary held by minority interest	(76,058)	(19,830)	18,708
Net cash (used in) provided by investing activities	(221,499)	48,991	(75,777)
FINANCING ACTIVITIES:			
Repurchase of common stock and warrant	(2,638)	(135,840)	(12,150)
Proceeds from exercise of stock options	19,820	14,134	6,658
Proceeds from issuance of convertible senior notes	—	345,000	—
Payment of debt issuance costs	(1,334)	(9,053)	—
Purchase of conversion spread hedges	—	(37,398)	—
Excess tax benefit from stock-based compensation	3,597	280	—
Net cash (used in) provided by financing activities	19,445	177,123	(5,492)
Effect of exchange rate changes on cash and cash equivalents	7,821	5,041	(2,302)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,218)	343,236	(20,929)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	423,577	80,341	101,270
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 385,359	$ 423,577	$ 80,341
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for income taxes	$ 31,550	$ 16,463	$ 2,479
Cash paid during the period for interest	$ 7,542	$ 3,552	$ 3,683

See Notes to Consolidated Financial Statements

1. BUSINESS DESCRIPTION

Priceline.com Incorporated ("priceline.com," or the "Company") is a leading online travel company that offers its customers a broad range of travel services, including the opportunity to purchase airline tickets, hotel rooms, car rentals, vacation packages, cruises and destination services. The Company's unique *Name Your Own Price*® system — which allows its customers to make offers for travel services at prices they set — enables its customers to use the Internet to save money while enabling sellers, which include many of the major domestic airline, hotel and rental car companies, to generate revenue. The Company also offers its customers the ability to purchase travel services in a more traditional, price-disclosed manner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries and its 96.7%-owned subsidiary, priceline.com International Ltd. ("priceline.com International"), which wholly owns priceline.com Europe Holdings N. V. ("priceline.com Europe Holdings"), Booking.com Limited and Booking.com B.V. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates in which the Company does not have control, but has the ability to exercise significant influence, are accounted for by the equity method.

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 from those estimates.

Fair Value of Financial Instruments — The Company's financial instruments, including cash and cash equivalents, 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. As of December 31, 2007, the estimated fair value of the Company's outstanding Convertible Senior Notes was approximately $1.66 billion.

Cash and Cash Equivalents — The Company invests excess cash primarily in money market accounts and short-term commercial paper. All highly liquid instruments with an original maturity of three months or less are considered cash equivalents.

Investments — The Company generally invests excess cash in short-term investment grade fixed income securities. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company has classified its investments as available-for-sale. These securities are carried at estimated fair market value with the aggregate unrealized gains and losses related to these investments, net of taxes, reflected as a part of accumulated other comprehensive income within stockholders' equity.

The fair value of the investments is based on the specific quoted market price of the securities at the Consolidated Balance Sheet dates. Investments are considered to be impaired when a decline in fair value is judged to be other than temporary. 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. The marketable securities are presented as current assets in the accompanying Consolidated Balance Sheets, if they are available to meet the short-term working capital needs of the Company. Investments with a maturity date greater than one year from the balance sheet date are classified as long-term investments.

Restricted Cash — Restricted cash at December 31, 2007 and 2006 collateralizes the counterparty to the interest rate hedge agreement in connection with the Company's 1% Convertible Senior Notes and certain landlords that lease the Company office space.

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.

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, including related transaction costs, over the estimated fair values of the net assets acquired is recorded as goodwill. The Company's Consolidated Financial Statements and results of operations reflect an acquired business starting at the date of the acquisition.

Goodwill is reviewed at least annually for impairment, or earlier if there is indication of impairment, in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 also requires the Company to compare the fair value of the acquired business to its carrying amount on an annual basis to determine if there is potential goodwill impairment. If the fair value of the acquired business is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill is less than its carrying value. Fair values for acquired businesses are determined based on discounted cash flows, market multiples or appraised values.

Impairment of Long-Lived Assets and Intangible Assets — The Company reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition exceeds its carrying amount. 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.

Software Capitalization — Certain direct development costs associated with 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 software coding, designing system interfaces and installation and testing of the software. These costs are recorded as fixed assets and are amortized over a period not to exceed three years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Merchant Revenues and Cost of Merchant Revenues

Name Your Own Price® Services: Merchant revenues and related cost of revenues are derived from transactions where priceline.com is the merchant of record and, among other things, selects suppliers and determines the price it will accept from the customer. The Company recognizes such revenues and costs if and when it fulfills the customer's non-refundable offer. Merchant revenues and cost of merchant revenues include the selling price and cost, respectively, of the travel services and are reported on a gross basis. In very limited circumstances, priceline.com makes certain customer accommodations 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. Pursuant to the terms of the Company's hotel service, its hotel suppliers 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 its hotel supplier within the specified time period, the Company reduces its cost of revenues by the unbilled amounts.

Merchant Price-Disclosed Hotel Service: Merchant revenues for the Company's merchant price-disclosed hotel service are derived from transactions where its customers purchase hotel rooms from hotel suppliers at disclosed rates which are subject to contractual arrangements. Charges are billed to customers at the time of booking and are included in Deferred Merchant Bookings until the customer completes his or her stay. Such amounts are generally refundable upon cancellation prior to stay, subject to cancellation penalties in certain cases. Merchant revenues and accounts payable to the hotel supplier are recognized at the conclusion of the customer's stay at the hotel. The Company records the difference between the selling price and the cost of the hotel room as merchant revenue.

Agency Revenues and Cost of 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, customer processing fees and global distribution system ("GDS") reservation booking fees and are reported at the net amounts received, without any associated cost of revenue. Such revenues are recognized by the Company when the customers complete their travel.

Advertising-Offline — Advertising-offline expenses are comprised primarily of costs of television, radio and newspaper advertising, agency fees, creative talent and production cost for television and radio commercials. The Company expenses the production costs of advertising the first time the advertising takes place.

Advertising-Online — Advertising-online expenses consist primarily of keyword searches, affiliate programs, banners, pop-ups, and email advertisements and are recognized as expense as the advertisements take place.

Sales and Marketing — Sales and marketing expenses are comprised primarily of credit card processing fees, fees paid to third-party service providers that operate the Company's call centers, provisions for credit card charge-backs and provisions for uncollectible commissions, all of which are expensed as incurred.

Personnel — Personnel expenses consist of compensation to the Company's personnel, including salaries, bonuses, payroll taxes, employee health insurance and stock based compensation. Included in accrued expenses were accrued compensation expenses of $19.8 million and $14.3 million at December 31, 2007 and 2006, respectively.

Information Technology — Information technology expenses are comprised primarily of outsourced data center costs, system maintenance and software license fees, data communications and other expenses associated with operating the Company's Internet sites and payments to outside contractors. Such costs are expensed as incurred.

Stock-Based Compensation — In December 2004, Statement of Financial Accounting Standard No. 123 (Revised 2004), Share-Based Payment ("SFAS 123(R)") was issued. SFAS 123(R) is a revision of SFAS No. 123, as amended, Accounting for Stock-Based Compensation ("SFAS 123"). SFAS 123(R) eliminated the alternative to use the intrinsic value method of accounting that was provided in SFAS 123, which generally resulted in no compensation expense recorded in the financial statements related to the issuance of stock options. SFAS 123(R) requires that the cost resulting from all share-based payment transactions be recognized in financial statements. SFAS 123(R) established fair value as the measurement objective in accounting for share-based payment arrangements and requires companies to apply a fair value based measurement method in accounting for share-based payment transactions with employees. Prior to January 1, 2006, the Company accounted for stock awards and stock option grants using the intrinsic value method. Compensation expense relating to restricted stock and restricted stock

unit grants was recognized over the period during which the employee rendered service to the Company necessary to earn the award, at fair value on date of grant.

Effective January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective method. Under this transition method, compensation cost recognized in the year ended December 31, 2006, includes amounts of: (a) compensation cost of all share-based awards granted to employees prior to, but unvested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, net of estimated forfeitures, and (b) compensation cost for all stock-based awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the new provisions of SFAS 123(R). In accordance with the modified prospective method, results for prior periods have not been restated. The Company determined the excess tax benefits available as of the adoption date for use in offsetting future tax shortfalls using the alternative transition method of FASB Staff Position 123(R)-3. The adoption of SFAS 123(R) resulted in an increase in net earnings attributable to the cumulative effect of this accounting change caused by SFAS 123(R)'s requirement to apply an estimated forfeiture rate to unvested awards. The Company previously recorded forfeitures when they occurred. The cumulative effect of accounting change as of January 1, 2006 totaled approximately $211,000 ($131,000 net of related tax effect) and was recorded in personnel expense for the year ended December 31, 2006 since its impact on net income and net income per share was not significant. Prior to the adoption of SFAS 123(R), deferred compensation related to restricted stock and restricted stock unit awards was classified as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123(R), on January 1, 2006, the balance in deferred compensation was reclassified to additional paid-in capital.

The fair value of restricted stock, 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. The fair value of stock options is determined as of the grant date using the Black-Scholes valuation model. Such value is recognized as expense over the service period, net of estimated forfeitures, using the straight line method under SFAS 123(R).

SFAS 123(R) also amends SFAS No. 95, Statement of Cash Flows, requiring the benefits of tax deductions in excess of recognized compensation costs to be reported as financing cash flows, rather than as operating cash flows as previously required, but only when such excess tax benefits are realized.

The fair value of stock options granted during the year ended December 31, 2005 was estimated at the date of grant using the Black-Scholes option pricing model, assuming no dividends and the following weighted average assumptions:

	For the Year Ended December 31, 2005
Risk-free interest rate	4.4%
Expected lives	3 years
Volatility	63%

The risk-free interest rate is based on the U.S Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. The expected lives represent the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise pattern. The expected volatility is based on historical volatility of the Company's common stock.

The following table provides relevant information as to reported results for the year ended December 31, 2005 under the Company's intrinsic value method of accounting for stock options with

supplemental pro forma information as if the fair value recognition provisions of SFAS 123 had been applied (in thousands, except per share amounts):

	For the Year Ended December 31, 2005
Net income applicable to common stockholders, as reported	$ 190,875
Add: Stock-based compensation, as reported, net of taxes	2,639
Deduct: Total stock-based compensation determined under SFAS 123 fair value based method for all stock-based compensation, net of taxes	(6,763)
Adjusted net income, SFAS 123, fair value method for all stock-based compensation	$ 186,751
Net income applicable to common stockholders per basic common share, as reported	$ 4.87
Net income applicable to common stockholders per diluted common share, as reported	$ 4.21
Net income applicable to common stockholders per basic common share, SFAS 123 adjusted	$ 4.77
Net income applicable to common stockholders per diluted common share, SFAS 123 adjusted	$ 4.13

Income Taxes — The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the temporary difference between the financial statement and tax basis of assets and liabilities using presently enacted tax rates in effect. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Segment Reporting — The Company operates and manages its business as a single operating segment. For geographic related information, see Note 19 to these Consolidated Financial Statements.

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 the average exchange rates for the period. Translation gains and losses are included as a component of accumulated other comprehensive income in the accompanying Consolidated Balance Sheets. Foreign currency transaction gains and (losses) are included in the Consolidated Statement of Operations, principally in other income (expense), and amounted to ($0.2 million), $0.8 million and ($0.7 million) for the years ended December 31, 2007, 2006 and 2005, respectively.

Derivative Financial Instruments — The Company recognizes all derivative instruments on the balance sheet at fair value. The Company uses derivative instruments principally in the management of interest rate and foreign currency exposure. On the date on which the Company enters into a derivative transaction, the derivative is designated as a hedge of the identified exposure. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction. In this documentation, the Company specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Company measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis. The Company's derivative instruments do not contain leverage features. Gains and losses on a derivative designated as a cash flow hedge are reported as a component of accumulated other comprehensive income (loss). Gains and losses on a derivative designated as a fair value hedge are offset by the loss or gain of the hedged item. Hedge ineffectiveness is recorded in the statement of operations as incurred.

From time to time, the Company enters into forward contracts with counterparties pursuant to which future foreign exchange rates for expected future earnings are fixed. Realized and unrealized gains and losses resulting from the forward contracts are recognized in the period in which they occur. As of December 31, 2007, contracts with notional values of 16.0 million Euros and 3.7 million British Pounds were outstanding to minimize the impact of short-term foreign currency fluctuations on consolidated operating results. As of December 31, 2006, contracts with notional amounts of 17.6 million Euros were outstanding. Foreign exchange gains (losses) from forward contracts in the amount of ($3.0 million), ($1.5 million) and $0.3 million were recorded in other income (expense) for the years ended December 31, 2007, 2006 and 2005, respectively.

Recent Accounting Pronouncements — In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The standard requires unrealized gains and losses to be included in earnings for items reported using the fair value option. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) requires an entity to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It also requires acquisition-related costs to be expensed as incurred, restructuring costs to generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. The adoption of SFAS No. 141(R) will change the Company's accounting treatment for business combinations on a prospective basis beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS No. 160"). SFAS No. 160 changes the accounting and reporting for minority interests, which will be characterized as non-controlling interests and classified as a component of equity. SFAS No. 160 is effective for the Company on a prospective basis in the first quarter of fiscal year 2009. The Company has not yet determined the impact on its consolidated financial statements of adopting SFAS No. 160.

3. BUSINESS ACQUISITIONS

On November 6, 2007, the Company and a newly-formed, indirect wholly-owned subsidiary of the Company, acquired 100% of the total issued share capital of Agoda Company, Ltd. ("Agoda") and AGIP LLC ("AGIP," and together with Agoda, the "Agoda Companies"). The purchase price for the acquisition, including acquisition costs, consists of an initial purchase price payable by the Company in cash of approximately $16 million and up to an additional $141.6 million in cash, which is payable by the Company if the Agoda Companies achieve the maximum "gross bookings" and earnings targets from January 1, 2008 through December 31, 2010. The contingent consideration, if any, will be recorded as additional purchase price when the contingency is resolved and additional purchase price, if any, is distributable. Assets acquired totaled $13.7 million and consisted principally of cash, accounts receivable and intangible assets. Liabilities assumed totaled approximately $13.1 million and consisted of accounts payable, accrued expenses, deferred merchant bookings and deferred taxes. Preliminary goodwill resulting from the acquisition amounted to approximately $15.7 million and is subject to adjustment upon

finalization of the purchase price allocation.

On December 21, 2007, the Company acquired 100% of the total issued share capital of an online advertising company for approximately $4.1 million in cash, including acquisition costs. Assets acquired totaled $2.6 million and consisted principally of cash, accounts receivable and intangible assets. Liabilities assumed totaled approximately $0.6 million and consisted of accounts payable, accrued expenses, and deferred taxes. Preliminary goodwill resulting from the acquisition amounted to approximately $2.1 million and is subject to adjustment upon finalization of the purchase price allocation. In addition, the Company could be required to pay an additional amount of up to $3.8 million in each of the years 2008, 2009 and 2010, if the acquired company achieves certain performance targets.

The acquisitions have been accounted for as purchase business combinations. The Company's Consolidated Financial Statements include the results of operations of the acquired companies since their respective acquisitions.

4. STOCK-BASED EMPLOYEE COMPENSATION

The Company has adopted the following stock compensation plans from which broad-based employee grants may be made: the priceline.com Incorporated 1997 Omnibus Plan (the "1997 Plan"), the priceline.com Incorporated 1999 Omnibus Plan (the "1999 Plan") and the priceline.com Incorporated 2000 Employee Stock Option Plan (the "2000 Plan"), each of which provides for grants of share-based compensation as incentives and rewards to encourage employees, officers, consultants and directors in the long-term success of the Company. The 1997 Plan, 1999 Plan and 2000 Plan provide for grants of share-based compensation to purchase up to 3,979,166, 7,895,833 and 1,000,000 shares of priceline.com common stock, respectively, at a purchase price equal to the fair market value on the date of grant.

Stock-based compensation issued under the plans generally consists of non-qualified stock options, restricted stock, performance share units and restricted stock units. Stock options are granted to employees at exercise prices equal to the fair market value of the common stock at the date of grant and have a term of 10 years. Generally, stock option grants to employees vest over three years from the grant date. Restricted stock, performance share units and restricted stock units 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.

In addition, the Company has granted restricted stock and restricted stock units in shares of priceline.com International to certain managers of its European operations. These awards generally vest over two to three years.

Stock-based compensation cost was approximately $16.3 million, $14.9 million and $4.2 million for the years ended December 31, 2007, 2006 and 2005, respectively. The related tax benefit was $5.3 million, $5.4 million and $1.5 million for the years ended December 31, 2007, 2006 and 2005, respectively. Included in the above amounts are stock-based compensation and related tax benefit for restricted stock and restricted stock units related to shares of priceline.com International ("PIL Share-Based Awards").

The following table summarizes stock option activity during the year ended December 31, 2007:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000's)
Outstanding at January 1, 2007	2,947,443	$ 60.70	5.6	
Granted	—	—		
Exercised	(962,134)	$ 20.60		$ 46,518
Forfeited/Expired	(80,309)	$ 168.63		
Outstanding at December 31, 2007	1,905,000	$ 76.41	4.5	$ 127,641
Vested or expected to vest at December 31, 2007	1,901,708	$ 76.50	4.5	$ 127,338
Exercisable at December 31, 2007	1,839,163	$ 78.32	4.4	$ 121,589

The Company granted 371,998 stock options during the year ended December 31, 2005, with a weighted average grant-date fair value per share of $11.32. No stock options were granted during the year ended December 31, 2006. The intrinsic value of stock options exercised was approximately $12.6 million and $4.6 million for the years ended December 31, 2006 and 2005, respectively. As of December 31, 2007, the total future compensation cost related to unvested stock options not yet recognized was $0.6 million and the weighted average period over which these awards are expected to be recognized was 0.6 years.

The following table summarizes the activity of unvested restricted stock, restricted stock units and performance share units ("Share-Based Awards") during the year ended December 31, 2007:

Share-Based Awards	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2007	889,751	$ 24.52
Granted	520,090	$ 78.22
Vested	(151,992)	$ 23.37
Performance Shares Adjustment	381,440	$ 101.51
Forfeited/Expired	(42,133)	$ 29.44
Unvested at December 31, 2007	1,597,156	$ 60.37

The Company granted 322,620 and 389,977 restricted shares, performance share units and restricted stock units during the years ended December 31, 2006 and 2005, respectively, with an aggregate grant-date fair value of approximately $8.1 million and $8.8 million, respectively. During the years ended December 31, 2006 and 2005, respectively, 157,542 and 26,833 shares of restricted stock vested with a total grant date fair value of $3.5 million and $0.6 million.

As of December 31, 2007, there was $70.5 million of total future compensation cost related to unvested Share-Based Awards to be recognized over a weighted-average period of 2.7 years.

The unvested Share-Based Awards include 276,110 performance share units granted in 2007 to certain employees, net of actual forfeitures, with a weighted average grant date fair value of

approximately $96.73 per share. The 276,110 represents the target number of performance share units of priceline.com common stock that will be issued to employees if the Company, and, with respect to certain grants, its subsidiaries, priceline.com International and the Agoda Companies, achieve certain financial performance goals. The actual number of shares issued will be determined in 2011 upon completion of the performance period, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances, or a change in control, and could range from 99,360 to an additional 496,986 shares over the target number of shares if the maximum performance threshold associated with the performance share units is met by the Company and/or its subsidiaries, as applicable. Stock-based compensation related to the performance share units is recorded based upon the estimated probable outcome at the end of the performance period. During the year ended December 31, 2007, the estimated probable number of shares to be issued at the end of the performance period was increased by 381,440 shares.

The unvested Share-Based Awards include a broad-based grant of 164,095 performance share units to certain employees in 2006, net of actual forfeitures, with a weighted average grant date fair value of approximately $25.39 per share. The 164,095 represents the target number of shares of priceline.com common stock that will be issued to employees if the Company achieves certain financial performance versus a peer group of companies. The actual number of share units issued will be determined in 2009 upon completion of the performance period, assuming there is no accelerated vesting for, among other things, a change in control, and could range from zero to an additional 328,190 shares over the target number of shares if the maximum performance threshold associated with the performance share units is met by the Company. Stock-based compensation related to the performance share units is recorded based upon the estimated probable outcome at the end of the performance period. During the year ended December 31, 2006, the estimated probable number of shares to be issued at the end of the performance period was increased by 328,190 shares.

The following table summarizes the activity of unvested PIL Share-Based Awards during the year ended December 31, 2007 (based upon the exchange rate as of December 31, 2007):

PIL Share-Based Awards	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2007	66,687	$35.32
Granted	—	
Vested	(20,228)	$34.00
Forfeited/Expired	—	
Unvested at December 31, 2007	46,459	$35.89

The Company granted 57,515 restricted shares and restricted stock units of priceline.com International during the year ended December 31, 2005, with an aggregate grant-date fair value of $1.8 million (based upon the exchange rate at grant date). No shares were issued during the year ended December 31, 2006. During the years ended December 31, 2006 and 2005, 23,382 and 24,958 shares of priceline.com International restricted stock vested with a total grant date fair value of approximately $0.8 million and $0.8 million, respectively.

As of December 31, 2007 there was $0.1 million of total unrecognized compensation cost related to unvested PIL Share-Based Awards (based upon the exchange rate as of December 31, 2007) to be recognized over a weighted-average period of 0.1 years.

5. RESTRUCTURING

At December 31, 2007, the Company had a restructuring liability of $1.2 million for the estimated remaining costs related to leased property vacated by the Company in 2000. During the first quarter of

2006, the Company recorded a $0.1 million restructuring charge based upon a re-evaluation of the estimated disposal costs related to the vacated leased property. The Company estimates that, based on current available information, the remaining net cash outflows associated with its restructuring related commitments will be paid in 2008-2011. The current portion of the restructuring accrual in the amount of $0.7 million is recorded in "Accrued expenses and other current liabilities" and the $0.5 million non-current portion is recorded in "Other long-term liabilities" on the Company's Consolidated Balance Sheet.

6. INVESTMENTS

The following table summarizes, by major security type, the Company's short-term investments as of December 31, 2007 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 31,080	$ 21	$ (18)	$ 31,083
State government and agency securities	79,020	—	—	79,020
U.S. government and agency securities	9,461	49	—	9,510
Foreign government securities	2,898	—	(12)	2,886
Total	$ 122,459	$ 70	$ (30)	$ 122,499

The Company's short-term investments as of December 31, 2006 in the amount of $8.0 million were comprised of U.S. government and agency securities with no significant unrealized gain or loss.

Long-term investments amounting to $2.5 million as of December 31, 2007 were comprised of corporate debt with a maturity date greater than one year and are recorded net of unrealized losses of approximately $0.2 million. No material investment gains or losses were realized for the years ended December 31, 2007, 2006 and 2005.

7. ACCOUNTS RECEIVABLE RESERVES

The Company accrues for costs associated with purchases made on its websites by individuals using fraudulent credit cards and for other amounts "charged back" as a result of payment disputes. The Company also records a provision for uncollectible commissions. Changes in accounts receivable reserves consisted of the following (in thousands):

	For the Year Ended December 31,		
	2007	2006	2005
Balance, beginning of year	$ 1,651	$ 1,377	$ 1,390
Impact of acquisitions	12	—	290
Provision charged to expense	4,886	5,071	2,331
Charge-offs and adjustments	(4,355)	(4,904)	(2,609)
Currency translation adjustment	115	107	(25)
Balance, end of year	$ 2,309	$ 1,651	$ 1,377

8. NET INCOME PER SHARE

The Company computes basic and diluted net income per share in accordance with SFAS No. 128, "Earnings per Share." Basic net income per share is calculated 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, performance share units and warrants 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 warrants underlying Series B Preferred Stock were considered for inclusion in fully diluted net income per share using the "if-converted" method.

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. Pursuant to EITF 90-19, "Convertible Bonds with Issuer Options to Settle for Cash upon Conversion," the convertible notes are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury stock method.

Prior to the Company executing an exchange offer in November 2006 that modified certain terms in the 1% Notes and 2.25% Notes, such notes were convertible into a fixed amount of common stock if certain specified conditions were met. Pursuant to EITF 04-08 "Effect of Contingently Convertible Debt on Diluted Earnings per Share", these convertible notes were included in the calculation of diluted earnings per share if their inclusion was dilutive to earnings per share under the "if-converted" method for the years ended December 31, 2006 and 2005.

A reconciliation of net income and 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,		
	2007	2006	2005
Net income applicable to common stockholders	$ 155,527	$ 72,539	$ 190,875
Interest expense on Convertible Senior Notes	—	2,668	2,992
Preferred stock dividend	—	—	1,854
	$ 155,527	$ 75,207	$ 195,721
Weighted average number of basic common shares outstanding	37,671	38,650	39,161
Weighted average dilutive stock options, restricted stock, restricted stock units and performance share units	1,478	1,101	318
Weighted average dilutive stock warrants	—	—	1,197
Assumed conversion of Convertible Senior Notes	6,355	4,971	5,760
Weighted average number of diluted common and common equivalent shares outstanding	45,504	44,722	46,436
Anti-dilutive potential common shares	9,969	12,780	4,189

Anti-dilutive potential common shares for the years ended December 31, 2007 and 2006 includes approximately 7.9 million shares and 9.3 million shares, respectively, that could be issued under the Company's convertible debt 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. As an example, at stock prices of $40 per share, $80 per share, $100 per share and $150 per share, common equivalent shares would include approximately 0.1 million, 7.2 million, 8.6 million and 10.5 million equivalent shares, respectively, related to the convertible notes (excluding the offsetting impact of the Convertible Spread Hedges — see Note 12).

9. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 and 2006 consists of the following (in thousands):

	2007	2006	Estimated Useful Lives (years)
Computer equipment and software	$ 76,343	$ 96,761	Up to 3
Office equipment, furniture and fixtures and leasehold improvements	10,178	10,361	3 to 7
Total	86,521	107,122	
Less: accumulated depreciation and amortization	(59,433)	(85,431)	
Property and equipment, net	$ 27,088	$ 21,691	

Fixed asset depreciation and amortization expense was approximately $11.8 million, $10.1 million and $8.7 million for the years ended December 31, 2007, 2006 and 2005, respectively.

10. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets consist of the following (in thousands):

	December 31, 2007			December 31, 2006				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period	Weighted Average Useful Life
Supply and distribution agreements	$191,612	$(34,684)	$156,928	$151,926	$(24,237)	$127,689	13 years	13 years
Technology	27,865	(21,191)	6,674	21,454	(12,571)	8,883	3 years	3 years
Patents	1,489	(1,133)	356	1,489	(1,076)	413	15 years	15 years
Customer lists	12,280	(10,546)	1,734	9,822	(8,049)	1,773	2 – 3 years	2 years
Internet domain names	6,453	(1,343)	5,110	6,443	(698)	5,745	10 years	10 years
Trade names	15,317	(4,007)	11,310	10,515	(2,195)	8,320	5 years	5 years
Other	1,725	(1,089)	636	1,107	(1,005)	102	1 – 15 years	9 years
Total intangible assets	$256,741	$(73,993)	$182,748	$202,756	$(49,831)	$152,925		

Intangible assets with determinable lives are amortized on a straight-line basis. Intangible assets amortization expense was approximately $25.7 million, $24.8 million and $18.6 million for the years ended December 31, 2007, 2006 and 2005, respectively.

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

2008	$	23,650
2009		18,540
2010		16,904
2011		16,594
2012		16,491
Thereafter		90,569
	$	182,748

A substantial majority of the Company's goodwill relates to its acquisitions of Booking.com Limited in 2004, Booking.com B.V. in 2005 and subsequent purchases of the minority interest in their parent company, priceline.com International.

A roll forward of goodwill for the years ended December 31, 2007 and 2006 consists of the following (in thousands):

	2007	2006
Balance, beginning of year	$ 226,707	$ 198,417
Acquisitions	17,773	2,606
Adjustment to pre-acquisition liabilities	—	(155)
Purchase of minority interest	33,220	4,766
Currency translation adjustments	9,459	21,073
Balance, end of year	$ 287,159	$ 226,707

Impairment tests performed in 2007 and 2006 did not result in any adjustments to the carrying value of goodwill.

11. OTHER ASSETS

Other assets at December 31, 2007 and 2006 consist of the following (in thousands):

	2007	2006
Investment in pricelinemortgage.com	$ 9,229	$ 9,550
Deferred debt issuance costs	10,032	11,899
Other	630	395
Total	$ 19,891	$ 21,844

Investment in pricelinemortgage.com represents the Company's 49% equity investment in pricelinemortgage.com and, accordingly, the Company recognizes its pro rata share of pricelinemortgage.com's operating results, not to exceed an amount that the Company believes represents the investment's estimated fair value. The Company recognized losses of approximately $321,000 and $80,000 representing its pro rata share of pricelinemortgage.com's operating loss for the years ended

December 31, 2007 and 2006, respectively. For the year ended December 31, 2005, the Company recognized approximately $1.3 million of income from its investment in pricelinemortgage.com. The Company earned advertising fees from pricelinemortgage.com of approximately $9,000, $22,000 and $53,000 in the years ended December 31, 2007, 2006 and 2005, respectively. In 2006, the Company recorded an impairment charge of $1.1 million to reduce the carrying value of its equity investment in pricelinemortgage.com to its estimated fair value.

Deferred debt issuance costs arose from the Company's issuance of $125 million aggregate principal amount of 1% Notes in August 2003, $100 million aggregate principal amount of 2.25% Notes in June 2004, $172.5 million aggregate principal amount of 0.5% Notes in September 2006 and $172.5 million of aggregate principal amount 0.75% Notes in September 2006 (see Note 12). Deferred debt issuance costs of approximately $4.3 million, $3.8 million, $4.4 million and $4.4 million, respectively, consisting primarily of underwriting commissions and professional service fees, are being amortized using the effective interest rate method over approximately five years, except for the 0.75% Notes, which are amortized over seven years.

12. DEBT

Revolving Credit Facility

In September 2007, the Company entered into a $175 million five-year revolving credit facility with a group of lenders, which is secured, subject to certain exceptions, by a first-priority security interest on substantially all of the Company's assets and related intangible assets located in the United States. In addition, the Company's obligations under the revolving credit facility are guaranteed by substantially all of the assets and related intangible assets of the Company's material direct and indirect domestic and foreign subsidiaries. Borrowings under the revolving credit facility will bear interest, at the Company's option, at a rate per annum equal to the greater of (a) JPMorgan Chase Bank, National Association's prime lending rate and (b) the federal funds rate plus ½ of 1%, plus an applicable margin ranging from 0.25% to 0.75%; or at an adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.25% to 1.75%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.25% to 0.375%.

The revolving credit facility provides for the issuance of up to $50 million of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, which are available in U.S. dollars, Euros, Pounds Sterling and any other foreign currency agreed to by the lenders. The Company may request that an additional $100 million be added to the revolving credit facility or to enter into one or more tranches of additional term loans. The proceeds of loans made under the facility could be used for working capital or general corporate purposes. As of December 31, 2007, there were no borrowings outstanding under the facility and the Company has issued approximately $14.7 million of letters of credit under the revolving credit facility.

Convertible Debt

The Company's convertible debt is convertible into the Company's common stock subject to certain conditions. Upon conversion, a holder will receive cash for the principal amount of the note and cash or shares of the Company's common stock for the conversion value in excess of such principal amount. Based upon the closing price of the Company's common stock for the prescribed measurement periods during the three months ended December 31, 2007, the contingent conversion thresholds on each of the Company's convertible senior note issues were exceeded. As a result, the notes are convertible at the option of the holder as of December 31, 2007 and, accordingly, have been classified as a current liability amounting to approximately $570 million in the Consolidated Balance Sheet as of that date. As of December 31, 2007, the estimated fair value of the Convertible Senior Notes was approximately $1.66 billion. If the note holders were to convert, the Company would deliver approximately $570 million in cash to repay the principal amount of the notes and would deliver cash or shares of common stock, at its

option, to satisfy the conversion value in excess of the principal amount. In 2007, approximately $50,000 and $23,000 of the 2.25% Notes and 1% Notes, respectively, were converted. The convertible debt may be classified as long-term debt in future quarters if the contingent conversion thresholds are not met in such quarters. Convertible debt consists of the following as of December 31, 2007 and 2006 (in thousands):

	December 31, 2007	December 31, 2006
$125 million aggregate principal amount of 1.00% Convertible Senior Notes due August 2010	$ 124,846	$ 123,865
$172.5 million aggregate principal amount of 0.50% Convertible Senior Notes due September 2011	172,500	172,500
$172.5 million aggregate principal amount of 0.75% Convertible Senior Notes due September 2013	172,500	172,500
$100 million aggregate principal amount of 2.25% Convertible Senior Notes due January 2025	99,950	100,000
	$ 569,796	$ 568,865

The $125 million aggregate principal amount of Convertible Senior Notes due August 1, 2010, with an interest rate of 1.00% (the "1% Notes") are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately $40.00 per share. Prior to August 1, 2008, the 1% Notes will be convertible if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the first day of a conversion period is more than 110% of the then current conversion price of the 1% Notes, or after August 1, 2008, if the closing price of the Company's common stock is more than 110% of the then current conversion price of the 1% Notes. The 1% Notes are also convertible in certain other circumstances, such as a change in control of the Company. In addition, the 1% Notes will be redeemable at the Company's option beginning in 2008, and the holders may require the Company to repurchase the 1% Notes on August 1, 2008 or in certain other circumstances. In the event that all or substantially all of the Company's common stock is acquired on or prior to August 1, 2008, 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 1% Notes in aggregate value ranging from $0 to approximately $16.5 million depending upon the date of the transaction and the then current stock price of the Company. No additional payments are due at stock prices in excess of $100 per share. Interest on the 1% Notes is payable on February 1 and August 1 of each year.

In November 2003, the Company entered into an interest rate swap agreement whereby it swapped the fixed 1% interest on its 1% Notes for a floating interest rate based on the 3-month U.S. Dollar LIBOR, minus the applicable margin of 221 basis points, on $45 million notional value of debt. This agreement expires August 1, 2010. The Company designated this interest rate swap agreement as a fair value hedge. The changes in the fair value of the interest rate swap agreement and the underlying debt are recorded as offsetting gains and losses in interest expense in the Consolidated Statement of Operations. Hedge ineffectiveness was not significant in the years ended December 31, 2007, 2006 and 2005. The fair value cost to terminate this swap as of December 31, 2007 and 2006, was approximately $0.1 million and $1.2 million, respectively, and has been recorded in accrued expenses and other current liabilities at December 31, 2007, and other long-term liabilities at December 31, 2006, with a related adjustment to the carrying value of debt.

In 2006, the Company issued in a private placement $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2011, with an interest rate of 0.50% (the "2011 Notes"), and $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2013, with an interest rate of 0.75% (the "2013 Notes"). The 2011 Notes and the 2013 Notes are convertible, subject

to certain conditions, into the Company's common stock at a conversion price of approximately $40.38 per share. The 2011 Notes and the 2013 Notes are convertible, at the option of the holder, prior to June 30, 2011 in the case of the 2011 Notes, and prior to June 30, 2013 in the case of the 2013 Notes, upon the occurrence of specified events, including, but not limited to a change in control, or if the closing sale 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 120% 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 2011 Notes or the 2013 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 2011 Notes and the 2013 Notes, collectively, in aggregate value ranging from $0 to approximately $57.5 million depending upon the date of the transaction and the then current stock price of the Company. No additional payments are due at stock prices in excess of $100 per share. As of June 30, 2011, with respect to the 2011 Notes, and as of June 30, 2013, with respect to the 2013 Notes, holders shall have the right to convert all or any portion of such security. Neither the 2011 Notes nor the 2013 Notes may be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2011 Notes and the 2013 Notes for cash in certain circumstances. Interest on the 2011 Notes and the 2013 Notes is payable on March 30 and September 30 of each year, starting March 30, 2007.

The Company entered into hedge transactions relating to potential dilution of the Company's common stock upon conversion of the 2011 Notes and the 2013 Notes (the "Conversion Spread Hedges"). Under the Conversion Spread Hedges, the Company is entitled to purchase from the counterparties approximately 8.5 million shares of the Company's common stock (the number of shares underlying the 2011 Notes and the 2013 Notes) at a strike price of $40.38 per share (subject to adjustment in certain circumstances) and the counterparties are entitled to purchase from the Company approximately 8.5 million shares of the Company's common stock at a strike price of $50.47 per share (subject to adjustment in certain circumstances). The Conversion Spread Hedges increase the effective conversion price of the 2011 Notes and the 2013 Notes to $50.47 per share from the Company's perspective and are designed to reduce the potential dilution upon conversion of the 2011 Notes and the 2013 Notes. If the market value per share of the Company's common stock at the time of any exercise is above $40.38, the Conversion Spread Hedge will entitle the Company to receive from the counterparties net shares of the Company's common stock based on the excess of the then current market price of the Company's common stock over the strike price of the purchased call options. Holders of the 2011 Notes and the 2013 Notes do not have any rights with respect to the Conversion Spread Hedges. The Conversion Spread Hedges are separate transactions entered into by the Company with the counterparties, are not part of the terms of the Notes and will not affect the holders' rights under the 2011 Notes and the 2013 Notes. The Conversion Spread Hedges are exercisable at dates coinciding with the scheduled maturities of the 2011 Notes and 2013 Notes.

The Company analyzed the Conversion Spread Hedges under Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company's Own Stock," and EITF 01-6, "The Meaning of Indexed to a Company's Own Stock" and determined that they meet the criteria for classification as equity transactions. As a result, in the year ended December 31, 2006, the Company recorded the $37.4 million paid to purchase Conversion Spread Hedges as a reduction in additional paid-in capital and the Company will not recognize subsequent changes in fair value of the agreements.

The $100 million aggregate principal amount of Convertible Senior Notes due January 15, 2025, with an interest rate of 2.25% (the "2.25% Notes") are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately $37.95 per share. The 2.25% Notes will be convertible if, on or prior to January 15, 2020, the closing sale price of our common stock for at least 20 consecutive trading days in the period of 30 consecutive trading days ending on the first day of a

conversion period is more than 120% of the then current conversion price of the 2.25% Notes. The 2.25% Notes are also convertible in certain other circumstances, such as a change in control of the Company. In the event that all or substantially all of the Company's common stock is acquired on or prior to January 15, 2010, 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 common shares to the holders of the 2.25% Notes of amounts ranging from $0 to $14.3 million depending upon the date of the transaction and the then current stock price of the Company. Based on the stock price at December 31, 2007, the Company would be required to make $0.6 million in additional payments. In addition, the 2.25% Notes will be redeemable at the Company's option beginning January 20, 2010, and the holders may require the Company to repurchase the 2.25% Notes on January 15, 2010, 2015 or 2020, or in certain other circumstances. Interest on the 2.25% Notes is payable on January 15 and July 15 of each year.

The Company used a portion of the net proceeds from the issuance of its convertible debt to purchase the Conversion Spread Hedges and to repurchase 3.85 million shares of its common stock at a cost of $129.6 million. The Company also used a portion of the net proceeds from the issuances to fund the acquisitions of Travelweb and Booking.com Limited in 2004, Booking.com B.V. in July 2005 and the Agoda Companies in 2007. The remaining proceeds are available for general corporate purposes, strategic uses and working capital requirements.

13. TREASURY STOCK

In the fourth quarter of 2005, the Company's Board of Directors authorized the repurchase of up to $50 million of the Company's common stock from time to time in the open market or in privately negotiated transactions. In addition, in the third quarter 2006, the Company's Board of Directors authorized the repurchase of up to an additional $150 million of the Company's common stock with a portion of the proceeds from the issuance of the 2011 Notes and the 2013 Notes. The Company's 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.

Under these programs, the Company repurchased approximately 4.1 million shares of its common stock at an aggregate cost of $134.7 million in the year ended December 31, 2006, at prevailing market prices. Repurchases of 43,358 and 40,496 shares at an aggregate cost of approximately $2.6 million and $1.1 million were made in the years ended December 31, 2007 and 2006, 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. 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, 2007, there were approximately 6.6 million shares of the Company's common stock held in treasury.

14. REDEEMABLE PREFERRED STOCK

There were 13,470 shares of Series B Preferred Stock outstanding as of December 31, 2006, with an aggregate liquidation preference of approximately $13.5 million and a semi-annual dividend requirement of 40,240 shares of common stock. In the first quarter of 2007, Delta exercised warrants to purchase 756,199 shares of the Company's common stock by surrendering 13,470 shares of Series B Preferred Stock, representing all of the remaining outstanding shares of Series B Preferred Stock, and the Company issued a final pro-rated dividend to Delta in the amount of 34,874 shares of common stock. The exercise of the warrant was a non-cash transaction. The Company recorded non-cash dividends of approximately $1.6 million, $1.9 million and $1.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

15. MINORITY INTERESTS

In connection with the Company's acquisitions of Booking.com B.V. in July 2005 and Booking.com Limited in September 2004 and the reorganization of its European operations, key managers of Booking.com B.V. and Booking.com Limited purchased shares of priceline.com International. In addition, these key managers were granted restricted stock and restricted stock units in priceline.com International shares that vest over time. As of December 31, 2007, the total aggregate minority interest in priceline.com International on a fully diluted basis was approximately 3.30%.

The holders of the minority interest in priceline.com International have the right to put their shares to the Company and the Company has the right to call their shares at a purchase price reflecting the fair market value of the shares at the time of the exercise of the put or call right. Subject to certain exceptions, (a) certain of the shares are subject to the put and call options in March 2008 and (b) certain of the shares are subject to the put and call options in August 2008. In April 2007 (in connection with the March 2007 put and call options), the Company repurchased 92,125 shares underlying minority interest with a carrying value of $3.7 million for an aggregate purchase price of approximately $15.0 million based upon fair value. In October 2007 (in connection with the August 2007 put and call options), the Company repurchased 197,538 shares underlying minority with a carrying value of $9.9 million for an aggregate purchase price of approximately $61.0 million based upon fair value. In 2006, the Company repurchased shares underlying minority interest with a carrying value of $7.9 million for an aggregate purchase price of $19.8 million based upon fair value. The purchases have been accounted for as step acquisitions and accordingly, the excess of the purchase price over the carrying value is recorded as an increase of intangible assets, deferred taxes and goodwill.

All purchased securities and vested granted securities described above can be put by the holders of the securities or called by the Company shortly after the consummation of a "change in control" of the Company. The aggregate fair value of the remaining minority interest in priceline.com International is estimated to be approximately $95 million and $63 million at December 31, 2007 and 2006, respectively, including unvested restricted stock and restricted stock units.

16. TAXES

Domestic pre-tax income was $25.9 million, $27.6 million and $31.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. Foreign pre-tax income was $119.1 million, $34.5 million and $5.1 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The tax provision (benefit) for the year ended December 31, 2007 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 762	$ (38,820)	$ (38,058)
State	—	2,042	2,042
Foreign	35,142	(11,185)	23,957
Total:	$ 35,904	$ (47,963)	$ (12,059)

The tax provision (benefit) for the year ended December 31, 2006 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 571	$ (8,363)	$ (7,792)
State	(48)	(9,164)	(9,212)
Foreign	14,894	(10,278)	4,616
Total:	$ 15,417	$ (27,805)	$ (12,388)

The tax provision (benefit) for the year ended December 31, 2005 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 646	$ (156,956)	$ (156,310)
State	36	(1,737)	(1,701)
Foreign	3,659	(1,925)	1,734
Total:	$ 4,341	$ (160,618)	$ (156,277)

At December 31, 2007, the Company had approximately $3.0 billion of net operating loss carryforwards ("NOLs") for U.S. federal income tax purposes expiring from December 31, 2019 to 2021. The utilization of these NOL's is subject to limitation under Section 382 of the Internal Revenue Code and is also dependent upon the Company's ability to generate sufficient future income.

Section 382 imposes limitations on the availability of a company's net operating losses after a more than 50 percentage point ownership change occurs. The Section 382 limitation is based upon certain conclusions pertaining to the dates of ownership changes and the value of the Company on the dates of the ownership changes. As a result of a study, it was determined that ownership changes, as defined in Section 382, occurred in 2000 and 2002. The amount of the Company's net operating losses incurred prior to each ownership change is limited based on the value of the Company on the respective dates of ownership change. It is estimated that the effect of Section 382 will generally limit the total cumulative amount of net operating loss available to offset future taxable income to approximately $1.6 billion. Pursuant to Section 382, subsequent ownership changes could further limit this amount.

As required by SFAS No. 109, "Accounting for Income Taxes," 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. Based upon such assessments, in the years ended December 31, 2007, 2006 and 2005, the Company recorded non-cash income tax benefits in the amount of $47.9 million, $28.1 million and $170.5 million, respectively, resulting from a reversal of a portion of its valuation allowance on its domestic deferred tax assets. In addition, the Company recognized $3.6 million of deferred tax assets in 2007 related to foreign capital allowance deductions that are considered more likely than not to be realized. The deferred tax asset at December 31, 2007 and 2006 amounted to $232.6 million and $191.7 million, respectively. The current portion at December 31, 2007 and 2006 amounting to $14.0 million and $12.3 million, respectively, is recorded in prepaid expenses and other current assets in the Consolidated Balance Sheet. It is more likely than not that the remaining deferred tax assets will not be realized and, accordingly, a valuation allowance remains against those assets. The valuation allowance may need to be adjusted in the future if facts and circumstances change, causing a reassessment of the amount of deferred tax assets more likely than not to be realized.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2007 and 2006 are as follows (in thousands):

	2007	2006
Deferred tax assets/(liabilities):		
Net operating loss carryforward — U.S.	$ 1,048,647	$ 1,074,665
IRC 382 Disallowance	(485,192)	(485,192)
	563,455	589,473
Net operating loss carryforward — U.K.	27,177	28,714
Fixed assets	4,113	1,115
Investments	5,158	5,158
Capital loss carryforward	—	1,953
Accrued expenses	4,206	3,271
Stock-based compensation	6,207	3,680
Other	5,016	3,171
Subtotal	615,332	636,535
Intangible assets and other	(46,502)	(39,714)
Deferred tax assets	568,830	596,821
Less valuation allowance on deferred tax assets	(382,781)	(444,799)
Net deferred tax assets	$ 186,049	$ 152,022

The Company has recorded a deferred tax liability in the amount of $46.5 million and $39.7 million at December 31, 2007 and 2006, respectively, primarily related to the assignment of estimated fair value to certain purchased identifiable intangible assets associated with the acquisitions of Booking.com Limited, Booking.com B.V. and Agoda Company, Ltd. Income tax benefits in the amount of $1.3 million and $3.0 million, respectively, were recorded in 2007 and 2006 resulting from the impact on deferred taxes of enacted reductions in certain foreign statutory tax rates. At December 31, 2007, no provision had been made for U.S. taxes on approximately $108.6 million of foreign earnings that are expected to be reinvested indefinitely. Estimating the tax liability that would arise if these earnings were repatriated is not practicable at this time.

The valuation allowance decreased by approximately $62 million and $38 million for the years ended December 31, 2007 and 2006, resulting primarily from a reversal of a portion of its valuation allowance to adjust the estimated amount of deferred tax assets more likely than not to be realized.

At December 31, 2007, the Company has approximately $660 million of state net operating loss carryfowards that expire between 2021 and 2023, approximately $97 million of U.K. net operating loss carryforwards and $10 million of U.K. capital allowance carryforwards that do not expire. At December 31, 2006, the Company had approximately $5 million of U.S. capital loss carryforwards, which expired in 2007. At December 31, 2007, the Company also had approximately $1.4 million of U.S. research credit carryforwards that expire from December 31, 2019 to December 31, 2020 and are also subject to annual limitation. Approximately $1.9 billion of the federal NOL tax benefits were generated through equity-related transactions, including equity-based compensation and stock warrants and would be a recorded as an increase to additional paid-in capital if subsequently utilized.

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):

	2007	2006	2005
Income tax provision at federal statutory rate	$ 50,758	$ 21,727	$ 12,758
Adjustment due to:			
State taxes	1,327	1,347	1,528
Intercompany interest expense	(3,534)	(3,384)	(830)
Foreign statutory rate reduction	(1,260)	(3,006)	—
Foreign rate differential	(11,059)	(2,059)	(179)
Other	3,174	1,091	268
Decrease in valuation allowance	(51,465)	(28,104)	(169,822)
Income tax benefit	(12,059)	$ (12,388)	$ (156,277)

In July 2006, the FASB issued Interpretation No. 48, "Uncertainty in Income Taxes" ("FIN 48"). FIN 48 applies to all tax positions and clarifies the recognition of tax benefits in the financial statements by providing for 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 Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have a material impact on the Company's consolidated results of operations and financial position.

The Company's U.K., Netherlands, U.S. Federal and Connecticut income tax returns, constituting the returns of the major taxing jurisdictions, are subject to examination by the taxing authorities for all open years as prescribed by applicable statute. No income tax waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute.

17. COMMITMENTS AND CONTINGENCIES

Litigation Related to Hotel Occupancy and Other Taxes

Statewide Putative Class Actions

A number of cities and counties have filed putative class actions on behalf of themselves and other allegedly similarly situated cities and counties within the same respective state against the Company and other defendants, including, but not in all cases, Lowestfare.com Incorporated and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Travelport, Inc. (f/k/a Cendant Travel Distribution Services Group, Inc.); Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. Each complaint alleges, among other things, that the defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Los Angeles v. Hotels.com, Inc., et al.: On December 30, 2004, a putative class action complaint was filed in the Superior Court for the County of Los Angeles by the City of Los Angeles on behalf of itself and an alleged class of California cities, counties and other municipalities that have enacted occupancy taxes. In addition to the tax claims, the complaint also asserts unfair competition claims under California Business and Professions Code § 17200, *et seq*. ("Section 17200"). On August 31, 2005, the City of Los Angeles filed an amended complaint adding a claim for a declaratory judgment. On September 26, 2005, the court sustained the defendants' demurrers on grounds of improper joinder of defendants and claims, and therefore, dismissed the amended complaint, with leave to file a second amended complaint. On February 8, 2006, the City of Los Angeles filed a second amended complaint that asserts the same claims but includes additional allegations of fact. On March 27, 2006, at the direction of the court, the defendants filed renewed demurrers to the second amended complaint on grounds of improper joinder of defendants and claims. On March 31, 2006, the defendants filed a petition to coordinate this matter with the *City of San Diego* case (discussed below). On July 12, 2006, that

petition was granted, and, as a result, this case and the *City of San Diego* case will now proceed in the Superior Court of Los Angeles. On January 17, 2007, the defendants filed demurrers to the City of Los Angeles' second amended complaint on all issues other than misjoinder of defendants and claims. On March 1, 2007, the court denied defendants' previously-filed demurrers on grounds of improper joinder of defendants and claims. On March 2, 2007, the City of Los Angeles filed a third amended complaint. On April 11, 2007, the defendants filed renewed demurrers to the third amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's third amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Fairview Heights v. Orbitz, Inc., et al.: On October 5, 2005, a putative class action complaint was filed in the Circuit Court, Twentieth Judicial Circuit, St. Clair County, Illinois, by the City of Fairview Heights on behalf of itself and a putative class of Illinois taxing authorities that are allegedly authorized to impose a tax on the business of renting hotel rooms. In addition to the tax claims, the complaint also asserts claims for violation of the Illinois Consumer Fraud and Deceptive Practices Act, 815 ILCS 505/1, similar laws in other states, conversion and unjust enrichment. On November 28, 2005, the Company and certain other defendants removed this action to the United States District Court for the Southern District of Illinois. On January 17, 2006, the defendants moved to dismiss the complaint. On February 10, 2006, the City of Fairview Heights moved to remand this action to state court. On July 12, 2006, the court granted defendants' motion to dismiss all claims other than the tax claim, denied defendants' motion to dismiss the tax claim, and denied plaintiff's motion to remand. On August 1, 2007, the City of Fairview Heights moved for class certification. That motion is pending.

City of Rome, Georgia, et al., v. Hotels.com, L.P., et al.: On November 18, 2005, a putative class action complaint was filed in the United States District Court for the Northern District of Georgia by the City of Rome, Hart County and the City of Cartersville on behalf of themselves and a putative class of Georgia cities, counties and governments which have enacted transient occupancy taxes and/or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of Georgia's Uniform Deceptive and Unfair Trade Practices Act, conversion, unjust enrichment, a constructive trust and a declaratory judgment. On February 6, 2006, the Company and certain other defendants moved to dismiss the complaint. On May 8, 2006, the court granted defendants' motion to dismiss all claims relating to the Georgia sales and use tax and denied defendants' motion to dismiss the excise tax claims. The plaintiffs filed an amended complaint on June 7, 2006 naming additional plaintiffs. On February 9, 2007, the defendants moved for summary judgment on the plaintiffs' claims for plaintiffs' failure to exhaust the administrative procedures required by Georgia law and plaintiffs' respective ordinances. On May 10, 2007, the court denied the defendants' motion but concluding that plaintiffs were required to estimate, assess and attempt to collect the taxes at issue. The court stayed further litigation to permit plaintiffs to comply with those administrative procedures. Since May 10, 2007, certain of the plaintiffs have sent the Company and other defendants notices of deficiency and requests for reports regarding hotel reservation transactions in their respective jurisdictions, to which the Company and other defendants have responded.

Pitt County v. Hotels.com, L.P., et al.: On December 1, 2005, a putative class action complaint was filed in the North Carolina General Court of Justice, Superior Court Division by Pitt County on behalf of itself and a putative class of North Carolina political subdivisions that impose occupancy taxes. In addition to the tax claims, the complaint also asserts claims for violation of North Carolina General Statute § 75-1, *et seq*., conversion, a constructive trust and a declaratory judgment. On February 13, 2006, the defendants removed this action to the United States District Court for the Eastern District of North Carolina. On March 13, 2006, the defendants moved to dismiss the complaint. On March 29, 2007, the court denied defendants' motion to dismiss the complaint. On April 13, 2007, the defendants moved for reconsideration of that decision or, in the alternative, interlocutory appeal. On August 13, 2007, the court granted defendants' motion for reconsideration of the court's prior order denying the defendants' motion to dismiss, and dismissed the action in its entirety. On September 6, 2007, Pitt

County filed a notice of appeal of that decision to the United States Court of Appeals for the Fourth Circuit. That appeal is pending.

City of San Antonio, Texas v. Hotels.com, L.P., et al.: On May 8, 2006, a putative class action complaint was filed in the United States District Court for the Western District of Texas, San Antonio Division, by the City of San Antonio on behalf of itself and putative classes of Texas municipalities. In addition to the tax claims, the complaint also asserts claim for conversion and a declaratory judgment. On June 30, 2006, the Company and other defendants moved to dismiss the complaint. On August 28, 2006, the plaintiff moved for class certification. Following briefing of the motion to dismiss and motion for class certification, on October 30, 2006, the plaintiff filed a first amended complaint that limited the putative classes of Texas municipalities to 175 specifically enumerated municipalities that plaintiff alleges to have hotel occupancy tax ordinances similar to that of the plaintiff. On March 21, 2007, the court denied defendants' motion to dismiss the City of San Antonio's amended complaint. On May 16 and 17, 2007, the court conducted a hearing on the City of San Antonio's motion for class certification. That motion remains pending. On September 7, 2007, the defendants filed a motion for reconsideration of the court's March 21, 2007 order denying the defendants' motion to dismiss, and that motion was denied on October 1, 2007.

Lake County Convention and Visitors Bureau, Inc. and Marshall County v. Hotels.com, L.P., et al.: On June 12, 2006, a putative class action was filed in the United States District Court for the Northern District of Indiana, Hammond Division, by the Lake County Convention and Visitors Bureau and Marshall County on behalf of themselves and a putative class of Indiana counties, convention and visitors bureaus and any other local governments which have enacted or benefit from taxes on innkeepers. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, and breach of fiduciary duties. On November 3, 2006, the Company and other defendants moved to dismiss the complaint. That motion is pending.

City of Columbus, et al. v. Hotels.com, L.P., et al.: On August 8, 2006, a putative class action complaint was filed in the United States District Court for the Southern District of Ohio by the cities of Columbus and Dayton on behalf of themselves and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, money had and received, conversion, a constructive trust and a declaratory judgment. On September 25, 2006, the Company and other defendants moved to dismiss the complaint. On September 27, 2006, the Company and other defendants moved to transfer the case to the United States District Court for the Northern District of Ohio, where the *City of Findlay* case (discussed below) is pending. On January 8, 2007, the Magistrate Judge issued a report and recommendation that the case be transferred to the Northern District of Ohio. Plaintiffs objected to the Magistrate Judge's report and recommendations. On July 10, 2007, the United States District Court for the Southern District of Ohio transferred the case to the United States District Court for the Northern District of Ohio. On July 23, 2007, the court in the Northern District of Ohio granted defendants' motion to dismiss the plaintiffs' Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims, adopting the reasoning of the court's opinion on the motion to dismiss in the *City of Findlay* case. On August 31, 2007, the defendants answered the complaint. On November 5, 2007, the parties jointly moved to consolidate the *City of Columbus* action with the *City of Findlay* action for pre-trial purposes, and that motion was granted on November 6, 2007. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion is pending.

Louisville/Jefferson County Metro Government v. Hotels.com, L.P., et al.: On September 21, 2006, a putative class action was filed in the United States District Court for the Western District of Kentucky by the Louisville/Jefferson County Metro Government on behalf of itself and a putative class of Kentucky cities, counties and townships that have enacted transient room taxes. In addition to the tax claims, the complaint also asserts claims for conversion, money had and received, unjust enrichment, a constructive trust, and a declaratory judgment. On December 15, 2006, the plaintiff moved to amend the

complaint to make certain changes to the identity of the defendants. That motion was granted, and, on January 8, 2007, plaintiff filed its amended complaint. On December 22, 2006, the defendants moved to dismiss the original complaint, and, on January 17, 2007, renewed their motion to dismiss with respect to the amended complaint. On August 10, 2007, the court denied the defendants' motion to dismiss. On September 13, 2007, the defendants answered. On October 26, 2007, the defendants filed a motion for reconsideration of the court's order denying the defendants' motion to dismiss, or, in the alternative, certification of interlocutory appeal to the Kentucky Supreme Court or the United States Court of Appeals for the Sixth Circuit. On November 9, 2007, the plaintiff moved to strike the defendants' motion for reconsideration. Both motions are pending. The plaintiff has stated its intent to seek to amend its amended complaint to withdraw its class allegations.

County of Nassau, New York v. Hotels.com, LP, et al.: On October 24, 2006, a putative class action was filed in the United States District Court for the Eastern District of New York by Nassau County on behalf of itself and a putative class of New York cities, counties and other local governmental entities that have imposed hotel taxes since March 1, 1995. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment and a constructive trust. On January 31, 2007, the defendants moved to dismiss the complaint. On August 17, 2007, the court granted the defendants' motion to dismiss the complaint for the County of Nassau's failure to exhaust its mandatory administrative procedures for tax collection. On September 12, 2007, the County of Nassau filed a notice of appeal of that order to the United States Court of Appeals for the Second Circuit. That appeal is pending.

City of Fayetteville v. Hotels.com, L.P., et al.: On February 28, 2007, a putative class action complaint was filed in the Circuit Court of Washington County, Arkansas by the City of Fayetteville, Arkansas on behalf of itself and a putative class of Arkansas cities, counties and townships that have enacted uniform hotel taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for a declaratory judgment, conversion, unjust enrichment, and a constructive trust. On July 24, 2007, the City of Fayetteville filed an amended complaint correcting the names of certain defendants. On August 7, 2007, the defendants moved to dismiss the amended complaint. That motion is pending.

City of Jefferson, Missouri v. Hotels.com, LP, et al.: On June 27, 2007, a putative class action complaint was filed in the Circuit Court of Cole County, Missouri by the City of Jefferson, Missouri on behalf of itself and a putative class of Missouri cities, counties and governments that have enacted taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for violation of the Missouri Merchandising Practices Act, conversion, unjust enrichment, declaratory judgment, breach of fiduciary duties and a constructive trust. On November 5, 2007, the defendants moved to dismiss the complaint. That motion is being briefed.

City of Gallup, New Mexico v. Hotels.com, L.P., et al.: On July 6, 2007, a putative class action was filed in the United States District Court for the District of New Mexico by the City of Gallup on behalf of itself and a putative class of New Mexico taxing authorities that have enacted lodgers' taxes. The complaint asserts claims for violation of the New Mexico Lodger's Tax Act and municipal ordinances. On August 27, 2007, the defendants answered the City of Gallup's complaint. The parties are currently conducting discovery.

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

Actions Filed on Behalf of Individual Cities

Several cities, counties, municipalities and other political subdivisions across the country have filed actions relating to the collection of hotel occupancy taxes against the Company and other defendants, including, but not in all cases, Lowestfare.com Incorporated and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Cendant Travel Distribution Services Group, Inc.; Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. In each, the complaint alleges, among other things, that each of these defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Findlay v. Hotels.com, L.P., et al.: On October 25, 2005, a putative class action complaint was filed in the Common Pleas Court of Hancock County, Ohio by the City of Findlay on behalf of itself and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of the Ohio Consumer Sales Practices Act, Ohio Revised Code Chapter 1345, *et seq*., conversion, a constructive trust and a declaratory judgment. On November 22, 2005, the Company and certain other defendants removed this action to the United States District Court for the Northern District of Ohio. On January 30, 2006, the defendants moved to dismiss the complaint. On July 26, 2006, the court granted defendants' motion to dismiss the Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 2, 2007, the City of Findlay filed a motion seeking leave to amend its complaint to withdraw its allegations seeking to assert claims on behalf of a state-wide class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. On August 15, 2007, the court granted that motion and an amended complaint withdrawing those class allegations was filed. On September 4, 2007, the defendants answered the amended complaint. On November 5, 2007, the parties jointly moved to consolidate the *City of Findlay* action with the *City of Columbus* action (discussed above) for pre-trial purposes, and that motion was granted on November 6, 2007. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion is pending.

City of Chicago, Illinois v. Hotels.com, L.P., et al.: On November 1, 2005, the City of Chicago, Illinois filed a complaint in the Circuit Court of Cook County, Illinois. In addition to the tax claims, the complaint also asserts claims for conversion, imposition of a constructive trust, and a demand for a legal accounting. On January 31, 2006, the defendants moved to dismiss the complaint. On September 27, 2007, the court denied the defendants' motion to dismiss. On November 2, 2007, the defendants answered the complaint. The parties are currently conducting discovery.

City of San Diego, California v. Hotels.com L.P., et al.: On February 9, 2006, the City of San Diego, California filed a complaint in Superior Court for the County of San Diego, California. In addition to the tax claims, the complaint also asserts unfair competition claims under Section 17200. On March 31, 2006, the defendants filed with a petition to coordinate this matter with the *City of Los Angeles* case (discussed above). On July 12, 2006, that petition was granted, and, as a result, this case was coordinated with the *City of Los Angeles* action and will proceed in the Superior Court of Los Angeles. As discussed above, on March 1, 2007, the court denied defendants' previously-filed demurrers to the City of Los Angeles' Second Amended Complaint on misjoinder grounds, which the parties deemed applicable to the City of San Diego's complaint. On January 17, 2007, the defendants filed demurrers to the City of San Diego's complaint on all issues other than misjoinder of defendants and claims. On March 8, 2007, the City of San Diego filed an amended complaint. On April 11, 2007, the defendants filed a renewed motion to dismiss the amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's amended complaint without prejudice to re-filing upon

the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Atlanta, Georgia v. Hotels.com L.P., et al.: On March 29, 2006, the City of Atlanta, Georgia filed a complaint in the Superior Court of Fulton County, Georgia. In addition to the tax claims, the complaint also asserts claims for a declaratory judgment, conversion, unjust enrichment, a constructive trust and a demand for an equitable accounting. On June 5, 2006, certain defendants, including the Company and its subsidiaries, answered the complaint. The parties proceeded to conduct discovery. On October 12, 2006, as directed by the court, the defendants submitted briefs regarding the City of Atlanta's failure to exhaust the administrative remedies dictated by Georgia law and its own ordinance. On December 12, 2006, the court dismissed the City of Atlanta's action for lack of jurisdiction because the City of Atlanta failed to exhaust mandatory administrative remedies prior to bringing suit. On January 10, 2007, the City of Atlanta filed a notice of appeal to the court's order deciding it lacked jurisdiction. On October 26, 2007, the Georgia Court of Appeals affirmed the order of the Georgia Superior Court. On November 5, 2007, the City moved for reconsideration of the October 26, 2007 opinion, and that motion was denied on November 13, 2007. On December 10, 2007, the City filed a petition for certiorari with the Georgia Supreme Court. The defendants have opposed that petition, which remains pending.

City of Charleston, South Carolina v. Hotel.com, et al.: On April 26, 2006, the City of Charleston, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. In addition to the tax claims, the complaint also asserts claims for conversion, a constructive trust and a demand for a legal accounting. On May 31, 2006, defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On July 7, 2006, the defendants answered the complaint. On January 23, 2007, the City of Charleston moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *Town of Mount Pleasant* (discussed below). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

Town of Mount Pleasant, South Carolina v. Hotels.com, et al.: On May 23, 2006, the Town of Mount Pleasant, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. On July 21, 2006, the defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On September 15, 2006, the defendants answered the complaint. On January 22, 2007, the Town of Mount Pleasant moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *City of Charleston* (discussed above). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

City of North Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On August 28, 2006, the City of North Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Fifteenth Judicial Circuit of South Carolina. On October 27, 2006, the Company and certain other defendants removed the case to the United States District Court for the District of South Carolina, Florence Division. On December 1, 2006, the defendants filed their motion to dismiss the complaint. On September 30, 2007, the court denied that motion.

Wake County v. Hotels.com, LP, et al.: On November 3, 2006, Wake County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Wake County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On January 31, 2007, the defendants moved to dismiss this action. On February 1, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On April 4, 2007, the *Wake County*, *Dare County*, *Buncombe County* and *Dare County* actions (discussed below) were consolidated for pre-trial purposes, and the following discussion applies to all four actions. On May 7, 2007, the defendants moved to dismiss the *Dare County* and *Buncombe County* actions. On November 19, 2007, the court granted in part and denied in part the motions to dismiss. The court dismissed all claims for conversion, all claim for violation of North Carolina General Statute § 75-1, et seq. The court also dismissed all claims brought by Cumberland County for that plaintiff's failure to exhaust mandatory administrative remedies before filing suit. The remaining claims brought by the other three plaintiffs survived the defendants' motions. The remaining parties are currently conducting discovery.

Cumberland County v. Hotels.com, LP, et al.: On December 4, 2006, Cumberland County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Cumberland County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On February 12, 2007, the defendants moved to dismiss this action and moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

Dare County v. Hotels.com, LP, et al.: On January 26, 2007, Dare County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Dare County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On February 22, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, and the case was thereafter transferred to the Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

Buncombe County v. Hotels.com, LP, et al.: On February 1, 2007, Buncombe County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Buncombe County, North Carolina. In addition to the Company and those subsidiaries named in certain of the foregoing litigations (Lowestfare.com Incorporated and Travelweb LLC), the complaint also names priceline.com LLC as a defendant. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes, as well as supplemental relief including, without limitation, an accounting and a determination of the amount of taxes due but unpaid. Buncombe County designated its complaint as a mandatory complex business case subject to the jurisdiction of the North Carolina Business Court. On April 4, 2007, this action was consolidated with *Wake County*, which is discussed in further detail above.

City of Branson v. Hotels.com, LP., et al.: On December 28, 2006, the City of Branson, Missouri filed a complaint in the Circuit Court of Greene County, Missouri. In addition to the claim for Tourism Taxes, the complaint also asserted claims for a declaratory judgment, conversion and a legal accounting. On April 23, 2007, the defendants moved to dismiss the complaint, and that motion was denied on November 26, 2007. The parties are presently conducting discovery.

Horry County, et al. v. Hotels.com, LP, et al.: On February 2, 2007, Horry County, South Carolina and the Horry County Administrator filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiffs are entitled to other relief, including penalties and interest. On April 30, 2007, the defendants moved to dismiss the complaint. On January 7, 2008, the court indicated that it would deny the defendants' motion to dismiss, but no order has been entered.

City of Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On February 2, 2007, the City of Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiff is entitled to other relief, including penalties and interest. On April 23, 2007, the defendants moved to dismiss the complaint. On December 11, 2007, the court heard argument on that motion, along with the motion in the Horry County action (discussed above).

City of Houston, Texas v. Hotels.com, LP., et al.: On March 5, 2007, the City of Houston, Texas filed a complaint in the District Court of Harris County, Texas. In addition to the claim for violation of the Houston hotel occupancy tax ordinance, the complaint also asserted claims for conversion, constructive trust, civil conspiracy, and a legal accounting. On April 30, 2007, the defendants filed special exceptions to the complaint. On July 5, 2007, the court denied in part and granted in part the defendants' special exceptions. The court denied the special exceptions relating to the adequacy of the plaintiff's allegations, but granted the special exceptions requiring the plaintiff to state with specificity the maximum amount of damages claimed. On October 2, 2007, the City of Houston filed an amended complaint adding the Harris County Sports Authority as a plaintiff. On October 15, 2007, the Company and the other defendants filed renewed special exceptions to the complaint and affirmative defenses. On November 19, 2007, the court granted those special exceptions. On January 22, 2008, the plaintiffs filed a second amended petition. On February 4, 2008, the Company and the defendants filed renewed special exceptions to the petition and moved to dismiss the action. The special exceptions and motion are pending.

City of Oakland, California v. Hotels.com, L.P., et al.: On June 29, 2007, the City of Oakland, California filed a complaint in the United States District Court for the Northern District of California. In addition to the claim for violation of the City of Oakland's Transient Tax Ordinance, the complaint also asserted unfair competition claims under California Business and Professions Code § 17200, *et seq*., and claims for conversion, unjust enrichment, punitive damages, a constructive trust and a declaratory judgment. On September 18, 2007, the defendants moved to dismiss the complaint. On November 6, 2007, the court granted the defendants' motion and dismissed the City of Oakland's complaint with prejudice for the City's failure to exhaust its mandatory administrative procedures for tax collection. On December 5, 2007, the City of Oakland filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. That appeal is being briefed.

City of Madison v. Expedia, Inc., et al.: On November 30, 2007, the City of Madison filed a declaratory judgment complaint in the Circuit Court for Dane County, Wisconsin seeking a declaration that the defendants are subject to the Madison hotel occupancy tax. On January 23, 2008, the Company and the other defendants moved to dismiss the City of Madison's declaratory judgment complaint on the basis that the City failed to exhaust its mandatory administrative remedies before filing suit. That motion is pending.

Mecklenburg County v. Hotels.com LP, et al.: On January 14, 2008, Mecklenburg County filed a complaint in the General Court of Justice, Superior Court Division, Mecklenburg County, North Carolina. In addition to the claim for room occupancy taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, et seq., and breach of agency duties and statutory penalties. At the time it filed the complaint, Mecklenburg also moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court. The Company and its subsidiaries accepted

service of the complaint and are presently scheduled to move to dismiss, answer or otherwise respond to the complaint on or before March 24, 2008. On February 19, 2008, this action was consolidated with *Wake County*, which is discussed in further detail above.

We have also been informed by counsel to the plaintiffs in certain of the aforementioned actions that various, undisclosed municipalities or taxing jurisdictions may file additional cases against the Company, Lowestfare.com Incorporated and Travelweb LLC in the future. Some of those municipalities or taxing jurisdictions have sent the Company and/or its subsidiaries tax notices or demands, including Brunswick County and Stanly County, North Carolina, Jefferson County, Arkansas, City of North Little Rock, Arkansas, and the Pine Bluff Advertising and Promotion Commission.

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

Consumer Class Actions

Marshall, et al. v. priceline.com, Inc.: On February 17, 2005, a putative class action complaint was filed in the Superior Court of the State of Delaware for New Castle County by Jeanne Marshall and three other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against the Company. The complaint alleged that the Company violated the Delaware Consumer Fraud Act, Del. Code Ann. Tit. 6, § 2511, *et seq*., relating to its disclosures and charges to customers to cover taxes under city hotel occupancy tax ordinances nationwide, and service fees. The Company moved to dismiss the complaint on April 21, 2005. On June 10, 2005, plaintiffs filed an amended complaint that asserts claims under the Delaware Consumer Fraud Act and for breach of contract and the implied duty of good faith and fair dealing. The amended complaint seeks compensatory damages, punitive damages, attorneys' fees and other relief. On October 31, 2006, the court granted in part and denied in part the Company's motion to dismiss. The court dismissed all claims arising under the Delaware Consumer Fraud Act. The court also dismissed all claims for breach of contract and the implied duty of good faith and fair dealing that relate to Company's charges for service fees. The court denied the Company's motion to dismiss the breach of contract and implied duty of good faith and fair dealing claims as they relate to the Company's charges to consumers to cover taxes under city hotel occupancy tax ordinances. The parties are currently conducting discovery. The plaintiffs have stated their intent to seek leave to amend their complaint.

Bush, et al. v. Cheaptickets, Inc., et al.: On February 17, 2005, a putative class action complaint was filed in Superior Court for the County of Los Angeles by Ronald Bush and three other individuals on behalf of themselves and other allegedly similarly situated California consumers against the Company and several of the same defendants as named in the *City of Los Angeles* action (discussed above). The complaint alleges each of the defendants engaged in acts of unfair competition in violation of Section 17200 relating to their respective disclosures and charges to customers to cover taxes under the above ordinances of the City of Los Angeles and other California cities, and service fees. The complaint seeks restitution, relief for alleged conversion, including punitive damages, injunctive relief, and imposition of a constructive trust. On July 1, 2005, plaintiffs filed an amended complaint, adding claims pursuant to California's Consumer Legal Remedies Act, Civil Code §1750, *et seq*. and claims for breach of contract and the implied duty of good faith and fair dealing. On December 2, 2005, the court ordered limited discovery and ordered that motions challenging the amended complaint would be coordinated with any similar motions filed in the *City of Los Angeles* action. Since that time, the Company has provided limited discovery and opposed the plaintiffs' motion to compel further discovery.

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

Other Possible Actions

At various times the Company has also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to its charges and remittance of amounts to cover state and local hotel occupancy and other related taxes. The City of New Orleans, Louisiana, the City of Philadelphia, Pennsylvania, Miami-Dade County, Florida, Broward County, Florida, the City of Anaheim, California, and state tax officials from Wisconsin, Pennsylvania, and Indiana, among others, have begun formal or informal administrative procedures or stated that they may assert claims against the Company relating to allegedly unpaid state or local hotel occupancy or related taxes. In addition, the State of New Jersey Department of Taxation has begun an audit related to the state's Corporation Business Tax. The Company is unable at this time to predict whether any such proceedings or assertions will result in litigation.

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

Litigation Related to Securities Matters

On March 16, March 26, April 27, and June 5, 2001, respectively, four putative class action complaints were filed in the U.S. District Court for the Southern District of New York naming priceline.com, Inc., Richard S. Braddock, Jay Walker, Paul Francis, Morgan Stanley Dean Witter & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., BancBoston Robertson Stephens, Inc. and Salomon Smith Barney, Inc. as defendants (01 Civ. 2261, 01 Civ. 2576, 01 Civ. 3590 and 01 Civ. 4956). Shives *et al*. v. Bank of America Securities LLC *et al*., 01 Civ. 4956, also names other defendants and states claims unrelated to the Company. The complaints allege, among other things, that priceline.com and the individual defendants violated the federal securities laws by issuing and selling priceline.com common stock in priceline.com's March 1999 initial public offering without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had allegedly solicited and received excessive and undisclosed commissions from certain investors. By Orders of Judge Mukasey and Judge Scheindlin dated August 8, 2001, these cases were consolidated for pre-trial purposes with hundreds of other cases, which contain allegations concerning the allocation of shares in the initial public offerings of companies other than priceline.com, Inc. By Order of Judge Scheindlin dated August 14, 2001, the following cases were consolidated for all purposes: 01 Civ. 2261; 01 Civ. 2576; and 01 Civ. 3590. On April 19, 2002, plaintiffs filed a Consolidated Amended Class Action Complaint in these cases. This Consolidated Amended Class Action Complaint makes similar allegations to those described above but with respect to both the Company's March 1999 initial public offering and the Company's August 1999 second public offering of common stock. The named defendants are priceline.com, Inc., Richard S. Braddock, Jay S. Walker, Paul E. Francis, Nancy B. Peretsman, Timothy G. Brier, Morgan Stanley Dean Witter & Co., Goldman Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., Robertson Stephens, Inc. (as successor-in-interest to BancBoston), Credit Suisse First Boston Corp. (as successor-in-interest to Donaldson Lufkin & Jenrette Securities Corp.), Allen & Co., Inc. and Salomon Smith Barney, Inc. Priceline, Richard Braddock, Jay Walker, Paul Francis, Nancy Peretsman, and Timothy Brier, together with other issuer defendants in the consolidated litigation, filed a joint motion to dismiss on July 15, 2002. On November 18, 2002, the cases against the individual defendants were dismissed without prejudice and without costs. In addition, counsel for plaintiffs and the individual defendants executed Reservation of Rights and Tolling Agreements, which toll the statutes of limitations on plaintiffs' claims against those individuals. On February 19, 2003, Judge Scheindlin issued an Opinion and Order granting in part and denying in part the issuer's motion. None of the claims against the Company were dismissed. On June 26, 2003, counsel for the plaintiff class announced that they and counsel for the issuers had agreed to the form of a Memorandum of Understanding (the "Memorandum") to settle claims against the issuers. The terms of that Memorandum provide that class members will be guaranteed $1 billion in recoveries by the insurers of the issuers and that settling issuer defendants will assign to the class members certain claims that they may have against the underwriters. Issuers also agree to limit their abilities to bring certain claims against the underwriters. If recoveries in excess of $1 billion are obtained by the class from any non-settling defendants, the settling defendants' monetary obligations to the class plaintiffs will be satisfied; any amount recovered from the underwriters that is less than $1 billion will be

paid by the insurers on behalf of the issuers. The Memorandum, which is subject to the approval of each issuer, was approved by a special committee of the priceline.com Board of Directors on Thursday, July 3, 2003. Thereafter, counsel for the plaintiff class and counsel for the issuers agreed to the form of a Stipulation and Agreement of Settlement with Defendant Issuers and Individuals ("Settlement Agreement"). The Settlement Agreement implements the Memorandum and contains the same material provisions. On June 11, 2004, a special committee of the priceline.com Board of Directors authorized the Company's counsel to execute the Settlement Agreement on behalf of the Company. The Settlement Agreement was submitted to the Court for approval. Subsequently, the Second Circuit reversed the District Court's granting of class certification in certain of the related class actions. As a result, the parties entered into a stipulation and order dated June 25, 2007 which terminated the Settlement Agreement. The Company intends to vigorously defend against the claims in all these proceedings.

On May 3, 2007, the Company entered into a Stipulation and Agreement of Settlement ("Settlement Agreement") to settle a class action lawsuit brought after its announcement that third quarter 2000 revenues would not meet expectations. Under the terms of the Settlement Agreement, the class received $80 million in return for a release, with prejudice, of all claims against the Company and the individual defendants (the "Settling Defendants") that are related to the purchase of the Company's securities by class members during the class period. The Company's insurance carriers funded $30 million of the settlement. As a result, the Company recorded a 2007 net charge of approximately $55.4 million representing its share of the cost to settle the litigation and cover related expenses.

The Company will continue to assess the risks of the potential financial impact of these matters, and to the extent appropriate, it will reserve for those estimates of liabilities.

Other Litigation

On January 6, 1999, we received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an interference between a patent application filed by Woolston and our U.S. Patent 5,794,207. We are currently awaiting information from the Patent Office regarding whether it will initiate an interference proceeding.

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 could adversely affect our business, results of operations, financial condition and cash flows.

Employment Contracts

The Company has employment agreements with certain members of senior management that provide for cash severance payments of up to approximately $17 million, accelerated vesting of equity instruments, including without limitation, restricted stock, restricted stock units and performance share units upon, among other things, death or a 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, the agreements provide for the extension of health and insurance benefits after termination for periods of up to three years.

Operating Leases

The Company leases certain facilities and equipment through operating leases. Rental expense for operating leases was approximately $4.4 million, $3.8 million and $2.8 million for the years ended December 31, 2007, 2006 and 2005, respectively. The Company's executive, administrative, operating offices and network operations center are located in approximately 92,000 square feet of leased office

space located in Norwalk, Connecticut. Booking.com Limited leases approximately 11,000 square feet of office space primarily in Cambridge, England. Booking.com B.V. leases approximately 85,000 square feet of office space primarily in Amsterdam, Netherlands. Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are as follows (in thousands):

2008	2009	2010	2011	2012	After 2013	Total
$6,327	$6,048	$5,878	$2,999	$1,915	$1,265	$24,432

Airline Excise Tax Refund

The online travel industry received guidance in the fourth quarter of 2006 in the form of a ruling from the Internal Revenue Service that the fee earned by online intermediaries in connection with the facilitation of the purchase of airline tickets is not subject to Federal Excise Tax. Due to the prior lack of clear guidance related to the application of federal excise taxes to amounts earned by online travel intermediaries, the Company historically remitted such taxes on the amounts it earned for facilitating the purchase of airline tickets. The tax at issue was on the amounts earned by the Company and was not added to the ticket price paid by its customers. Accordingly, the Company sought refunds of the taxes it paid while the on-line travel industry pursued clarification on the issue. The Company recorded refunds received in the amount of $18.6 million in revenue, plus $3.3 million of interest income during the year ended December 31, 2007.

18. BENEFIT PLAN

Priceline.com has a defined contribution 401(k) savings plan (the "Plan") covering all U.S. employees who are at least 21 years old. The Plan allows eligible employees to contribute up to 75% of their eligible earnings, subject to a statutorily prescribed annual limit. All participants are fully vested in their contributions and investment earnings. As of January 1, 2007, the Company instituted a 50% match of employee contributions up to 6% of qualified compensation. The Company also maintains certain other defined contribution plans outside of the United States for which it provides 50% of the contributions for participating employees. The Company's matching contributions during the years ended December 31, 2007, 2006 and 2005 were approximately $0.9 million, $0.1 million and $0.1 million, respectively.

19. GEOGRAPHIC INFORMATION

The geographic information is based upon the location of Company's subsidiaries (in thousands).

	United States	The Netherlands	United Kingdom and Other	Total Company
2007				
Revenues	$ 1,036,830	$ 242,476	$ 130,103	$ 1,409,409
Intangible assets, net	6,091	88,566	88,091	182,748
Goodwill	29,427	91,806	165,926	287,159
Other long-lived assets	247,644	9,051	11,254	267,949
2006				
Revenues	$ 940,437	$ 118,113	$ 64,553	$ 1,123,103
Intangible assets, net	7,408	73,607	71,910	152,925
Goodwill	29,427	82,967	114,313	226,707
Other long-lived assets	214,935	2,747	5,245	222,927
2005				
Revenues	$ 892,180	$ 28,181	$ 42,299	$ 962,660
Intangible assets, net	9,363	72,626	67,686	149,675
Goodwill	26,852	74,560	97,005	198,417
Other long-lived assets	179,056	663	2,535	182,254

20. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

The following table sets forth certain key interim financial information for the years ended December 31, 2007 and 2006:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2007				
Total revenues	$ 301,389	$ 355,880	$ 417,287	$ 334,853
Gross profit	119,717	157,211	202,331	160,152
Net income (loss)	(14,716)	34,572	104,365	32,862
Preferred stock dividend	(1,555)	—	—	—
Net income (loss) applicable to common stockholders	(16,271)	34,572	104,365	32,862
Net income (loss) applicable to common stockholders per basic common share	$ (0.44)	$ 0.92	$ 2.76	$ 0.86
Net income (loss) applicable to common stockholders per diluted common share	$ (0.44)	$ 0.79	$ 2.27	$ 0.68

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2006				
Total revenues	$ 241,914	$ 307,651	$ 313,467	$ 260,071
Gross profit	72,231	105,804	123,547	99,517
Net income (loss)	(100)	12,517	48,817	13,232
Preferred stock dividend	(864)	—	(1,063)	—
Net income (loss) applicable to common stockholders	(964)	12,517	47,754	13,232
Net income (loss) applicable to common stockholders per basic common share	(0.02)	0.32	1.21	0.37
Net income (loss) applicable to common stockholders per diluted common share	(0.02)	0.28	1.05	0.33

21. RESTATEMENT OF CASH FLOWS AND MINORITY INTEREST PRESENTATION

Subsequent to the issuance of the Company's 2006 consolidated financial statements, management identified and corrected a classification error in the presentation of purchases and sales of shares in subsidiary held by minority interest of ($19.8 million) and $18.7 million for the years ended December 31, 2006 and 2005, respectively, to reflect them as investing activities rather than financing activities in the consolidated statements of cash flows since the Company accounted for such acquisitions under the purchase accounting method. The classification error had no impact on the Company's operating cash flows, cash and cash equivalents balances, consolidated balance sheets or consolidated statements of operations. The impact of the classification error on presentation in the consolidated statements of cash flows for the years ended December 31, 2006 and 2005 is summarized as follows:

	Year Ended December 31,					
	2006			2005		
	Previously Reported	Purchase of shares in subsidiary held by minority interest	As Restated	Previously Reported	Sale of shares in subsidiary held by minority interest	As Restated
Net cash provided by (used in):						
Net cash provided by operating activities	$ 112,081	$ —	$ 112,081	$ 62,642	$ —	$ 62,642
Net cash (used in) provided by investing activities	68,821	(19,830)	48,991	(94,485)	18,708	(75,777)
Net cash (used in) provided by financing activities	157,293	19,830	177,123	13,216	(18,708)	(5,492)
Effect of exchange rate changes on cash and cash equivalents	5,041	—	5,041	(2,302)	—	(2,302)
Net increase/(decrease) in cash and cash equivalents	343,236	—	343,236	(20,929)	—	(20,929)
Cash and cash equivalents, beginning of period	80,341	—	80,341	101,270	—	101,270
Cash and cash equivalents, end of period	$ 423,577	$ —	$ 423,577	$ 80,341	$ —	$ 80,341

Additionally, management identified and corrected a classification error in the presentation of minority interest in the consolidated balance sheet. Minority interest in the amount of $22.5 million as of December 31, 2006, was previously classified as a liability and is now presented in the mezzanine section of the consolidated balance sheet between liabilities and stockholders' equity. The classification error had no impact on the Company's consolidated assets, the total liabilities and stockholders' equity line item in the consolidated balance sheets, consolidated statement of operations or consolidated statements of cash flows.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1(x)	Share Sale and Purchase Agreement, dated July 14, 2005 by and between the Registrant, ACME Limited and Blue Sky Investments B.V.
2.2(aa)	Articles of Association of priceline.com International Limited, as amended.
3.1(a)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2(b)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant
3.3(a)	By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1, 3.2 and 3.3.
4.2(a)	Specimen Certificate for Registrant's Common Stock.
4.3(a)	Amended and Restated Registration Rights Agreement, dated as of December 8, 1998, among the Registrant and certain stockholders of the Registrant.
4.4(b)	Registration Rights Agreement, dated as of August 1, 2003, among the Registrant and the initial purchasers named therein.
4.5(b)	Indenture, dated as of August 1, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.6(b)	Supplemental Indenture, dated as of October 22, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.7(d)	Second Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.8(c)	Registration Rights Agreement, dated as of June 28, 2004, among priceline.com Incorporated and the initial purchasers named therein.
4.9(c)	Indenture, dated as of June 28, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.10(d)	First Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.11(b)	Certificate of Designation, Preferences and Rights of Series A Convertible Redeemable PIK Preferred Stock of the Registrant.
4.12(b)	Certificate of Designation, Preferences and Rights of Series B Redeemable Preferred Stock of the Registrant.
4.13(gg)	Indenture, dated as of September 27, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.14(gg)	Registration Rights Agreement, dated as of September 27, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
4.15(ii)	Indenture relating to New 1.00% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.16(ii)	Indenture relating to New 2.25% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
10.1(a)+	1997 Omnibus Plan of the Registrant.
10.2(e)+	1999 Omnibus Plan of the Registrant, as amended.
10.3(f)+	Priceline.com 2000 Employee Stock Option Plan.
10.4(e)+	Form of Stock Option Grant Agreement.
10.5(e)+	Form of Restricted Stock Agreement for restricted stock grants to Board of Directors.
10.6(g)+	Form of Base Restricted Stock Agreement (U.S.).
10.7(g)+	Form of Base Restricted Stock Agreement (U.K.).
10.8(g)+	Form of Restricted Stock Agreement with covenants (U.S.).
10.9(g)+	Employment Agreement, dated February 7, 2005, by and between Jeffery H. Boyd and the Registrant.
10.10(g)+	Restricted Stock Agreement, dated February 1, 2005, between Jeffery H. Boyd and the Registrant.
10.12(f)+	Employment Agreement, dated November 20, 2000, between the Registrant and Robert Mylod Jr.
10.13(j)+	Amendment to Employment Agreement, dated June 15, 2001, by and between the Registrant and Robert Mylod Jr.
10.14(h)+	Stock Option and Restricted Stock Agreement, dated November 20, 2000, by and between the Registrant and Robert Mylod Jr.
10.15(g)+	Restricted Stock Agreement, dated February 1, 2005, between Robert J. Mylod Jr. and the Registrant.
10.16(h)+	Employment Agreement, dated December 20, 2000, by and between the Registrant and Ronald Rose.

10.17(k)+	Employment Agreement, dated February 8, 2006, by and between the Registrant and Peter J. Millones.
10.18(i)+	Employment Letter Agreement, dated January 2, 2002, by and between the Registrant and Brett Keller.
10.19(g)+	Employment Agreement, dated February 7, 2005, by and between the Registrant and Chris Soder.
10.20(a)*	General Agreement, dated August 31, 1998, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.21(a)*	Airline Participation Agreement, dated August 31, 1998, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.22(a)*	Amendment to the Airline Participation Agreement and the General Agreement, dated December 31, 1998, between and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.23(l)	Letter Agreement, dated July 16, 1999, between the Registrant and Delta Air Lines, Inc.
10.24(m)	Master Agreement, dated November 17, 1999, between the Registrant and Delta Air Lines, Inc.
10.25(m)	Amendment to the Airline Participation Agreement and the General Agreement, dated November 17, 1999, by and among the Registrant, Priceline Travel, Inc. and Delta Air Lines, Inc.
10.26(n)	Stockholder Agreement, dated February 6, 2001, between the Registrant and Delta Air Lines, Inc.
10.27(n)	Warrant Agreement, dated February 6, 2001, by and between the Registrant and Delta Air Lines, Inc.
10.28(o)*	Formation and Funding Agreement, dated as of March 17, 2000, by and between the Registrant and Alliance Partners, L.P.
10.29(p)	Stock Purchase Agreement, dated as of February 15, 2001, among the Registrant, Prime Pro Group Limited and Forthcoming Era Limited.
10.30(p)	Registration Rights Agreement, dated as of February 15, 2001, among the Registrant, Prime Pro Group Limited and Forthcoming Era Limited.
10.31(q)	Stockholders' Agreement by and among the Registrant, Prime Pro Group Limited, Forthcoming Era Limited, Potton Resources Limited and Ultimate Pioneer Limited, dated as of June 5, 2001.
10.32(i)	Subscriber Entity Agreement, dated October 1, 2001, by and between Worldspan, L.P. and the Registrant.
10.33(i)	Amendment to the Worldspan, L.P. Subscriber Agreement, dated October 1, 2001, by and between Worldspan, L.P. and the Registrant.
10.34(r)*	Second Amendment to the Worldspan Subscriber Entity Agreement, dated April 1, 2003, by and between the Registrant and Worldspan, L.P.
10.35(t)	Restructuring Agreement, dated as of October 3, 2003, between Hutchison-Priceline Limited, Trio Happiness Limited and PCLN Asia, Inc.
10.36(t)	Amended and Restated Securityholders' Agreement, dated as of October 3, 2003, among Hutchison-Priceline Limited, PCLN Asia, Inc. and Trio Happiness Limited.
10.37(t)	Master Agreement, dated as of November 20, 2003, between Credit Suisse First Boston International and the Registrant.
10.38(t)	Schedule to the Master Agreement, dated as of November 20, 2003 between Credit Suisse First Boston International and the Registrant.
10.39(t)	Letter Agreement, dated November 26, 2003, between Credit Suisse First Boston International and pricleine.com Incorporated.
10.40(t)	Securities Purchase Agreement dated as of May 3, 2004, between Lowestfare.com Incorporated, Hilton Electronic Distribution Systems, LLC, HT-HDS, Inc., MI Distribution, LLC, Starwood Resventure LLC, Pegasus Business Intelligence, LP and Travelweb LLC.
10.41(v)	Sale and Purchase Agreement dated September 21, 2004 by and among Priceline.com Holdco U.K. Limited and the security holders of Active Hotels Limited listed therein.
10.42(k)+	Form of priceline.com Incorporated 1999 Omnibus Plan Restricted Stock Agreement for Non-Employee Directors.
10.43(y)+	Stock Option Grant Agreement with Ralph M. Bahna.
10.44(y)+	Indemnification Agreement, dated June 2, 2005, by and between the Registrant and Marshall Loeb.
10.45(z)+	Employment Agreement, dated September 21, 2004, by and between Andrew J. Phillipps and Active Hotels Limited.
10.46(z)+	Subscription Letter for Purchased Ordinary Shares of Active Hotels Limited, dated September 21, 2004, with Andrew J. Phillipps.
10.47(z)+	Subscription Letter for Granted Ordinary Shares of Active Hotels Limited, dated September 21, 2004, with Andrew J. Phillipps.

10.48(z)+	Terms and Conditions of Participation in the priceline.com International Limited Management Incentive Plan, dated July 14, 2005, by and between Andrew J. Phillipps and priceline.com International Limited.
10.49(bb)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.50(bb)+	Restricted Stock Grant Agreement, dated October 19, 2005, reflecting grant of restricted stock to Daniel J. Finnegan.
10.51(bb)+	Part-Time Employment and Transition Agreement, dated October 20, 2005, by and between the Registrant and Thomas P. D'Angelo.
10.52(cc)+	Employment Agreement, dated July 14, 2005 between Bookings Europe B.V. and Stef Norden.
10.53(cc)+	Form of Registrant's 1999 Omnibus Plan Award Agreement — Restricted Stock Units for Employees in the Netherlands.
10.54(dd)+	Form of Performance Share Agreement under the priceline.com Incorporated 1999 Omnibus Plan.
10.55(ee)	Underwriting Agreement, dated September 5, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.56(ff)	Purchase Agreement, dated as of September 21, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
10.57(ff)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.58(ff)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.59(ff)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.60(ff)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.61(hh)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.62(hh)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.63(jj)	Underwriting Agreement, dated December 4, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.64(kk)+	Priceline.com Incorporated Annual Bonus Plan, dated as of February 20, 2007.
10.65(ll)	Stipulation and Agreement of Settlement between P. Warren Ross, Thomas Linton, and John Anderson and the class and priceline.com Incorporated, dated as of May 3, 2007.
10.66(mm)	Credit Agreement dated as of September 26, 2007 among priceline.com Incorporated, RBC citizens, National Association, and Bank of Scotland plc as co-documentation Agents, bank of America, N.A. as syndication Agent and JPMorgan Chase Bank, National Association as Administrative Agent.
10.67(mm)	Pledge and Security Agreement dated as of September 26, 2007 by and among priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.68(mm)	Guaranty dated as of September 26, 2007 by each of the subsidiaries of priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.69*	Equity Purchase Agreement by and among priceline.com Mauritius Co. Ltd, priceline.com Incorporated and the shareholders of Agoda Company Ltd. and members of AGIP LLC dated November 6, 2007.
10.70(nn)+	Performance share unit agreement dated December 1, 2007.
12.1	Calculation of ratio of earnings to fixed charges.
14(t)	Priceline.com Incorporated Code of Business Conduct and Ethics.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certificate of Jeffery H. Boyd, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Robert J. Mylod Jr., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(w)	Certification of Jeffery H. Boyd, 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(w)	Certification of Robert J. Mylod Jr., 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).

(a)	Previously filed as an exhibit to the Form S-1 (Registration No. 333-69657) filed in connection with priceline.com's initial public offering.
(b)	Previously filed as an exhibit to the Form S-3 (Registration Statement No. 333-190029) filed in connection with priceline.com's registration of 1.00% Convertible Senior Notes due 2010 and Shares of Common Stock Issuable Upon Conversion of the Notes.
(c)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2003.
(d)	Previously filed as an exhibit to the Form 8-K filed on December 13, 2004.
(e)	Previously filed as an exhibit to the Form S-8 (Registration No. 333-122414) filed on January 31, 2005.
(f)	Previously filed as an exhibit to the Form S-8 (Registration No. 333-55578) filed on February 14, 2001.
(g)	Previously filed as an exhibit to the Form 8-K filed on February 7, 2005.
(h)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2000.
(i)	Previously filed as an exhibit to the Form 10-K/A for the year ended December 31, 2001.
(j)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended June 30, 2001.
(k)	Previously filed as an exhibit to the Form 8-K filed on February 8, 2006.
(l)	Previously filed as an exhibit to the Form S-1 (Registration No. 333-83513) filed in connection with priceline.com's secondary public offering.
(m)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 1999.
(n)	Previously filed as an exhibit to the Form 8-K filed on February 8, 2001.
(o)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2000.
(p)	Previously filed as an exhibit to the Form 8-K filed on February 20, 2001.
(q)	Previously filed as an exhibit to the Form 8-K filed on June 6, 2001.
(r)	Previously filed as an exhibit to the Form 10-Q/A for the quarterly period ended June 30, 2003.
(s)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2003.
(t)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2003.
(u)	Previously filed as an exhibit to the Form 8-K filed on July 7, 2004.
(v)	Previously filed as an exhibit to the Form 8-K filed on September 23, 2004.
(w)	This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.
(x)	Previously filed as an exhibit to the Form 8-K filed on July 20, 2005.
(y)	Previously filed as an exhibit to the Form 8-K filed on June 3, 2005.
(z)	Previously filed as an exhibit to the Form 8-K filed on July 25, 2005.
(aa)	Previously filed as an exhibit to the Form 8-K filed on September 29, 2005.
(bb)	Previously filed as an exhibit to the Form 8-K filed on October 21, 2005.
(cc)	Previously filed as an exhibit to the Form 8-K filed on November 8, 2005.
(dd)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2006.
(ee)	Previously filed as an exhibit to the Form 8-K filed on September 7, 2006.
(ff)	Previously filed as an exhibit to the Form 8-K filed on September 27, 2006.
(gg)	Previously filed as an exhibit to the Form 8-K filed on September 28, 2006.
(hh)	Previously filed as an exhibit to the Form 8-K filed on October 16, 2006.
(ii)	Previously filed as an exhibit to the Form 8-K filed on November 9, 2006.
(jj)	Previously filed as an exhibit to the Form 8-K filed on December 8, 2006.
(kk)	Previously filed as an exhibit to the form 8-K filed on February 23, 2007.
(ll)	Previously filed as an exhibit to the Form 8-K filed on May 4, 2007
(mm)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007
(nn)	Previously filed as an exhibit to the Form 8-K filed on December 5, 2007

*	Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Commission pursuant to Rule 24b-2. The omitted confidential material has been filed separately with the Commission.
+	Indicates a management contract or compensatory plan or arrangement.

Exhibit 10.69

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO CERTAIN PORTIONS OF THIS AGREEMENT. CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EQUITY PURCHASE AGREEMENT

by and among

priceline.com Mauritius Co. Ltd,

priceline.com Incorporated

and

the Shareholders of Agoda Company, Ltd. and Members of AGIP LLC

November 6, 2007

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

TABLE OF CONTENTS

		Page
ARTICLE 1	**DEFINITIONS AND CONSTRUCTION**	1
Section 1.1	Definitions.	1
Section 1.2	Additional Defined Terms.	6
Section 1.3	Construction.	8
ARTICLE 2	**THE TRANSACTION**	8
Section 2.1	Purchase and Sale.	8
Section 2.2	Initial Purchase Price.	8
Section 2.3	Estimated Closing Balance Sheet.	8
Section 2.4	Post-Closing Adjustment.	8
Section 2.5	Closing.	10
Section 2.6	Closing Deliveries.	10
Section 2.7	Escrow Agent and Escrow Agreement.	13
Section 2.8	Purchase Price Allocation.	13
ARTICLE 3	**REPRESENTATIONS AND WARRANTIES OF THE SELLERS**	13
Section 3.1	Organization and Good Standing.	14
Section 3.2	Authority and Enforceability.	14
Section 3.3	No Conflict.	14
Section 3.4	Capitalization and Ownership.	15
Section 3.5	Financial Statements.	16
Section 3.6	Books and Records.	16
Section 3.7	Accounts Receivable; Bank Accounts.	16
Section 3.8	No Undisclosed Liabilities.	17
Section 3.9	Absence of Certain Changes and Events.	17
Section 3.10	Assets.	19
Section 3.11	Leased Real Property.	19
Section 3.12	Intellectual Property.	19
Section 3.13	Contracts.	22
Section 3.14	Tax Matters.	24
Section 3.15	Employee Benefit Matters.	26
Section 3.16	Employment and Labor Matters.	28
Section 3.17	Environmental Matters.	28
Section 3.18	Compliance with Laws, Judgments and Governmental Authorizations.	29
Section 3.19	Corruption and Trade Regulation.	29
Section 3.20	Legal Proceedings.	30
Section 3.21	Customers and Suppliers.	30
Section 3.22	Insurance.	31
Section 3.23	Relationships with Affiliates.	31
Section 3.24	Insolvency.	31
Section 3.25	Brokers or Finders.	31
ARTICLE 4	**REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS**	31
Section 4.1	Organization and Good Standing.	32
Section 4.2	Authority and Enforceability.	32
Section 4.3	No Conflict.	32

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

TABLE OF CONTENTS
(continued)

Section 4.4	Legal Proceedings.	32
Section 4.5	Investment Intent.	32
Section 4.6	Brokers or Finders.	32
ARTICLE 5	**COVENANTS**	33
Section 5.1	Expenses.	33
Section 5.2	Confidentiality.	33
Section 5.3	Noncompetition and Nonsolicitation.	33
Section 5.4	Public Announcements.	35
Section 5.5	[***]	35
Section 5.6	Further Actions.	35
ARTICLE 6	**CERTAIN TAX MATTERS**	35
Section 6.1	Tax Returns.	35
Section 6.2	Payment of Taxes.	36
Section 6.3	Tax Apportionment.	36
Section 6.4	Tax Elections.	36
Section 6.5	Transactional Taxes.	36
Section 6.6	Other Tax Matters.	37
ARTICLE 7	**INDEMNIFICATION**	37
Section 7.1	Indemnification by the Sellers.	37
Section 7.2	Indemnification by the Purchasers.	38
Section 7.3	Claim Procedure.	39
Section 7.4	Third-Party Claims.	40
Section 7.5	Survival.	41
Section 7.6	Limitations on Liability.	42
Section 7.7	Satisfaction of Indemnification Claims Against Sellers.	43
Section 7.8	No Right of Indemnification or Contribution by Seller.	43
Section 7.9	Exercise of Remedies by Purchaser Indemnified Parties other than the Purchaser.	44
GENERAL PROVISIONS		44
Section 8.1	Seller Representative.	44
Section 8.2	Notices.	45
Section 8.3	Amendment.	46
Section 8.4	Waiver and Remedies.	46
Section 8.5	Entire Agreement.	46
Section 8.6	Assignment and Successors.	46
Section 8.7	Severability.	47
Section 8.8	Exhibits and Schedules.	47
Section 8.9	Interpretation.	47
Section 8.10	Governing Law.	47
Section 8.11	Specific Performance.	47
Section 8.12	Jurisdiction and Service of Process.	47
Section 8.13	Waiver of Jury Trial.	48

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 8.14		Counterparts.	48

Schedule A	—	List of Sellers and Equity Interests
Schedule B	—	Option Holders, Options and Option Shares
Schedule C	—	Earnout Amount Calculation and Earnout Participants
Schedule D	—	List of Employees Entering Employment Agreements
Schedule E	—	List of Continuing Directors and Officers
Schedule F	—	List of Employees to execute IP Assignment and Release Agreements
Schedule G	—	Certain Third-Party Claim Procedures
Schedule H	—	Estimated Closing Balance Sheet

Exhibit A	—	Share Transfer Forms
Exhibit B	—	Seller Releases
Exhibit C	—	Secretary's Certificate
Exhibit D	—	Escrow Agreement
Exhibit E	—	Option Cancellation Agreements
Exhibit F	—	Restricted Stock Unit Agreements
Exhibit G	—	Performance Share Unit Agreements
Exhibit H	—	Employee IP Assignment and Release Agreements
Exhibit I	—	Convertible Debt Assignment and Transfer Documents
Exhibit J	—	Parity Option Assignment and Transfer Documents
Exhibit K	—	Standard Terms of Use Policy
Exhibit L	—	Form Affiliate Marketing Agreement

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

EQUITY PURCHASE AGREEMENT

This Equity Purchase Agreement (the "Agreement") is made as of November 6, 2007, by and among priceline.com Mauritius Co. Ltd, a Mauritius corporation ("Share Purchaser") and priceline.com Incorporated, a Delaware corporation ("Priceline US") (Share Purchaser and Priceline US together, the "Purchasers") and the shareholders of Agoda Company, Ltd., a Mauritius corporation (the "Company") and membership interest holders of AGIP LLC, a Delaware limited liability company ("AGIP") in each case as identified on Schedule A (together, the "Sellers").

PREAMBLE

WHEREAS, as of the Closing Date (as defined below), certain of the Sellers are the only members in AGIP (together, the "AGIP Sellers") and the Sellers are all of the shareholders in the Company (together, the "Share Sellers").

WHEREAS, the Share Sellers desire to sell, and Share Purchaser desires to purchase, all of the issued and outstanding shares of the Company, including the Option Shares (as defined below) to be sold by the Option Holders (as defined below) (together, the "Shares"), and the AGIP Sellers desire to sell, and Priceline US desires to purchase, all of the membership interests in AGIP (the "Membership Interests"), in accordance with the provisions of this Agreement.

WHEREAS, RR (as defined below) desires to sell, and Share Purchaser desires to purchase, all rights, title and interest in the Parity Option (as defined below) and the Convertible Debt (as defined below) (the Parity Option, the Convertible Debt, the Shares and the Membership Interests being referred to herein collectively as the "Equity Interests"), in accordance with the provisions of this Agreement.

NOW, THEREFORE, intending to be legally bound and in consideration of the mutual provisions set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. For the purposes of this Agreement and the Ancillary Agreements:

"AAP" means Anacott Asia Pacific Co., Ltd., a Thai company.

"Acquired Companies" means, collectively, (a) the Agoda Companies; and (b) AGIP.

"Affiliate" means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the specified Person. In addition to the foregoing, if the specified Person is an individual, the term "Affiliate" also includes (a) the individual's spouse, (b) the members of the immediate family (including parents, siblings and children) of the individual or of the individual's spouse and (c) any corporation, limited liability company, general or limited partnership, trust, association or other business or investment entity that directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with any of the foregoing individuals. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

"Agoda Companies" means the Company, Agoda Singapore and Agoda Thailand.

"Agoda Singapore" means Agoda Company Pte. Ltd., a Singapore company.

"Agoda Thailand" means Agoda Services Co., Ltd., a Thai company.

"Ancillary Agreements" means, collectively, the Equity Transfer Documents, Option Share Transfer Documents, Seller Releases, Employment Agreements, Escrow Agreement, Option Cancellation Agreements, Convertible Debt Assignment and Transfer Documents, Parity Option Assignment and Transfer Documents; Restricted Stock Unit Agreements, Performance Share Unit Agreements and Employee IP Assignment and Release Agreements.

"A.T." means A.T., Inc., a Delaware corporation.

"Benefit Obligation" means the Acquired Companies' aggregate financial liability to provide all current, projected and contingent benefits to an employee or former employee of an Acquired Company, or his beneficiaries or dependents, as the case may be, under the terms of a Company Plan, regardless of whether an amount less than such aggregate financial liability is reflected on the employer's financial statements under applicable tax or accounting rules.

"Business" means the business of the Acquired Companies.

[***] means [***].

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Company Plan" means each agreement, plan, program, fund, policy, contract or arrangement (whether written or unwritten) providing compensation, benefits, pension, retirement, superannuation, profit sharing, stock bonus, stock option, stock purchase, phantom or stock equivalent, bonus, thirteenth month, incentive, deferred compensation, hospitalization, medical, dental, vision, vacation, life insurance, death benefit, sick pay, disability, severance, termination indemnity, redundancy pay, educational assistance, holiday pay, housing assistance, moving expense reimbursement, fringe benefit or similar employee benefits (regardless of whether it is mandated under local law, voluntary, private, funded, unfunded, financed by the purchase of insurance, contributory or non-contributory) maintained or contributed to by any Acquired Company or Affiliate thereof (or that has been maintained or contributed to in the last six years by any Acquired Company or Affiliate thereof) for the benefit of any current or former director, officer, employee or consultant of any Acquired Company or Affiliate thereof, or with respect to which any Acquired Company or Affiliate thereof has or may have any Liability; provided that any governmental plan or program requiring the mandatory payment of social insurance taxes or similar contributions to a governmental fund with respect to the wages of an employee will not be considered a "Company Plan" for these purposes.

"Contract" means any contract, agreement, lease, license, warranty, guaranty, mortgage, note, bond, option, warrant or other binding commitment.

"Convertible Debt" means the debt owed by the Company to RR which, as of the Closing Date, is in the principal amount of [***], and which may be converted into shares of the Company pursuant to the Convertible Loan Agreement.

"Convertible Loan Agreement" means that certain Convertible Loan Agreement, dated July 1, 2002, between the Company (f/k/a Anacott Corp) and [***] (as amended).

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

"Encumbrance" means any charge, claim, mortgage, servitude, easement, right of way, community or other marital property interest, covenant, equitable interest, license, lease or other possessory interest, lien, option, pledge, security interest, preference, priority, right of first refusal, restriction (other than any restriction on transferability imposed by any applicable foreign, federal or state securities Laws) or other encumbrance of any kind or nature whatsoever (whether absolute or contingent).

"Environmental Law" means any Law relating to the environment, natural resources, Hazardous Material or occupational health and safety related to exposure to Hazardous Materials, including any Law pertaining to (a) the manufacture, treatment, storage, disposal, generation and transportation of Hazardous Material and (b) the release or threatened release into the environment of Hazardous Material, including emissions, discharges, injections, spills, escapes or dumping of Hazardous Material.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any other Person that, together with an Acquired Company, would be treated as a single employer under Section 414 of the Code, whether or not actually subject to the Code.

[***] means an amount equal to [***].

"GAAP" means generally accepted accounting principles for financial reporting pursuant to Mauritian International Financial Reporting Standards, as in effect as of the date of this Agreement.

"Governmental Authority" means any (a) federal, state, local, municipal, foreign or other government, (b) department, agency or instrumentality of a foreign or other government, including any state-owned or state controlled instrumentality of a foreign or other government, (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department or other entity and any court or other tribunal), or (d) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Governmental Authorization" means any approval, consent, ratification, waiver, license, permit, registration or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

"Hazardous Material" means any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant under any Environmental Law, including petroleum and all derivatives thereof and asbestos or asbestos-containing materials.

"Indebtedness" means, with respect to any Person, without duplication, the following: (a) all obligations of an Acquired Company for borrowed money; (b) all obligations of an Acquired Company evidenced by bonds, debentures, notes or similar instruments; (c) all obligations of others for borrowed money secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property owned or acquired by an Acquired Company, whether or not the obligation secured thereby has been assumed; (d) all guarantees by an Acquired Company of obligations of others for borrowed money; and (e) all obligations, contingent or otherwise, of an Acquired Company as an account party in respect of letters of credit and letters of guaranty.

"Intellectual Property" means all of the following anywhere in the world and all legal rights, title or interest in the following arising under Law, whether or not filed, perfected, registered or recorded and whether now or later existing, filed, issued or acquired: (a) all patents and applications for patents,

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

including any reissues, reexaminations, divisions, renewals, extensions, provisionals, continuations and continuations in part; (b) all copyrights, copyright registrations and copyright applications, including any renewals or extensions, copyrightable works and all other corresponding rights; (c) all mask works, mask work registrations and mask work applications, including any renewals or extensions, and all other corresponding rights; (d) all trade dress and trade names, logos, Internet addresses and domain names, trademarks and service marks and any registrations and applications therefor, including any intent to use applications, registrations on any supplemental registry (or the equivalent) and any renewals or extensions, all other indicia of commercial source or origin and all goodwill associated with any of the foregoing; (e) all inventions (whether patentable or unpatentable and whether or not reduced to practice), know how, technology, technical data, trade secrets, confidential business information, manufacturing and production processes and techniques, research and development information, financial, marketing and business data, pricing and cost information, business and marketing plans, advertising and promotional materials, customer, distributor, reseller and supplier lists and information, correspondence, records, and other documentation, and other proprietary information of every kind; (f) all computer software (including source and object code), firmware, development tools, algorithms, files, records, technical drawings and related documentation, data and manuals; (g) all databases and data collections; and (h) all copies and tangible embodiments of any of the foregoing (in whatever form or medium).

"Interest" means an interest rate of [***] (calculated based on the actual number of days elapsed in a year consisting of 365 days).

"IP Assets" means the Intellectual Property (including the IP License) transferred to AGIP by A.T. prior to the Closing Date under the IP Assignment Agreement by and between A.T. and AGIP dated November 5, 2007 and the Assignment and Assumption Agreement by and between A.T. and AGIP dated November 5, 2007.

"IP License" means the Trademark and Domain Name License and Option Agreement, dated February 10, 2004 between AGIP and the Company, as amended.

"IRS" means the U.S. Internal Revenue Service and, to the extent relevant, the Department of Treasury.

"Judgment" means any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Authority or arbitrator.

"Knowledge" means [***].

"Law" means any federal, state, local, municipal, foreign, international, multinational, or other constitution, law, statute, treaty, rule, regulation, ordinance or code.

"Liability" includes liabilities, debts or other obligations of any nature, whether known or unknown, absolute, accrued, contingent, liquidated, unliquidated or otherwise, due or to become due or otherwise, and whether or not required to be reflected on a balance sheet prepared in accordance with GAAP.

"LIBOR" means the average interest rate major international banks charge each other for three-month deposits as published by the *Wall Street Journal* and any change in the three-month LIBOR will be applicable to the interest rate charge.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

"Loss" means any loss, Judgment, damage, fine, penalty, expense (including reasonable attorneys' or other professional fees and expenses and court costs), Liability or other cost or expense, whether or not involving the claim of another Person.

"Material Adverse Effect" means any violation, circumstance, change or effect, either individually or in the aggregate with all other violations, circumstances, changes or effects, that has a material adverse effect on the business, assets, Liabilities, condition (financial or otherwise), operating results or operations of the Acquired Companies, taken as a whole, or the ability of the Sellers to perform their obligations under this Agreement [***].

"Management Shareholders" means the shareholders in the Company identified as management shareholders in Schedule A.

"MK" means Michael Kenny of [***].

"Occupational Safety and Health Law" means any Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (such as those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"Options" means the vested options to purchase Class B Shares in the Company as set forth on Schedule B.

"Option Shares" means the Class B Shares in the Company that would be issued to the Option Holders upon exercise of their Options as set forth on Schedule B.

"Option Holders" means the holders of Options as set forth on Schedule B.

"Parity Option" means [***].

"Parity Option Agreement" means that certain Shareholders Agreement, dated July 1, 2002, between RR and MK (as amended).

"Permitted Encumbrances" means (a) statutory liens of carriers, warehousemen, mechanics, materialmen and other similar Persons incurred in the ordinary course of business for sums not yet due and payable and that do not impair the conduct of any Acquired Company's business, and (b) statutory liens for Taxes not yet due and payable and for which adequate reserves have been recorded on the Balance Sheet, and (c) Encumbrances that are immaterial in character, amount and extent and which do not detract from the value or marketability of, or interfere with the present use of, the affected property.

"Person" means an individual or an entity, including a corporation, limited liability company, general or limited partnership, trust, association or other business or investment entity, or any Governmental Authority.

"Proceeding" means any action, arbitration, audit, examination, investigation, hearing, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, and whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

"RR" means Robert Rosenstein [***].

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

"Subsidiary" means each of Agoda Singapore and Agoda Thailand.

"Tax" means (a) any federal, state, local, foreign and other tax, charge, fee, duty (including customs duty), levy or assessment, including any income, gross receipts, net proceeds, alternative or add-on minimum, corporation, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, value added, stamp, leasing, lease, user, transfer, fuel, excess profits, profits, occupational, premium, interest equalization, windfall profits, severance, license, registration, payroll, environmental (including taxes under Section 59A of the Code), capital stock, capital duty, disability, estimated, gains, wealth, welfare, employee's income withholding, other withholding, unemployment and social security or other tax of whatever kind (including any fee, assessment and other charges in the nature of or in lieu of any tax) that is imposed by any Governmental Authority, (b) any interest, fines, penalties or additions resulting from, attributable to, or incurred in connection with any items described in this paragraph or any related contest or dispute and (c) any items described in this paragraph that are attributable to another Person but that any Acquired Company is liable to pay by Law, by Contract or otherwise, whether or not disputed.

"Tax Return" means any report, return, estimated tax payment, form, declaration, claim for refund, or information return or statement related to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Section 1.2 Additional Defined Terms. For purposes of this Agreement and the Ancillary Agreements, the following terms have the meanings specified in the indicated Section of this Agreement:

Defined Term	Section
AAP Assets	2.6(a)
Adjustment Calculation	2.4(a)
Adjustment Notice	2.4(a)
AGIP	First Paragraph
AGIP Sellers	Preamble
Agreement	First Paragraph
Balance Sheet	3.5(a)
Cap	7.6(a)
Certain Nations	3.19(f)
Claim Amount	7.6(a)
Claim Notice	7.3(a)
Class A Shares	3.4(a)
Class B Shares	3.4(a)
Closing	2.5
Closing Balance Sheet	2.4(a)
Closing Date	2.5
Company	First Paragraph
Company Intellectual Property	3.12(a)
Competing Activity	5.3(a)
Confidential Information	5.2(a)
Confidentiality Agreement	5.2(a)
Controlling Party	7.4(f)
Convertible Debt Assignment and Transfer Documents	2.6(a)
Covered Claims	Schedule G
Disputed Amount	7.7(c)
Dispute Notice	2.4(b)

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Earnout Amount	Schedule C
Earnout Participants	Schedule C
Employee IP Assignment and Release Agreements	2.6(a)
Employment Agreements	2.6(a)
Equity Interests	Preamble
Equity Transfer Documents	2.6(a)
Escrow Agent	2.6(a)
Escrow Agreement	2.6(a)
Escrow Amount	2.6(c)
Escrow Fund	2.7
Estimated Closing Balance Sheet	2.3
[***]	2.4(a)
Financial Statements	3.5(a)
Indemnified Party	7.3(a)
Indemnifying Party	7.3(a)
Indemnity Determination Date	7.3(h)
Indemnity Final Determination	7.3(h)
Indemnity Interest Amount	7.7(b)
Independent Accounting Firm	2.4(d)
Initial Purchase Price	2.2
Interim Balance Sheet	3.5(a)
Key Employees	3.9(j)
Leased Real Property	3.11(b)
Membership Interests	Preamble
Non-Controlling Party	7.4(f)
Objection Notice	7.3(b)
Option Cancellation Agreements	2.6(a)
Option Share Transfer Documents	2.6(a)
Owned Intellectual Property	3.12(a)
Parity Option Assignment and Transfer Documents	2.6(a)
Performance Share Unit Agreements	2.6(a)
Purchase Price	2.2
Priceline US	First Paragraph
Pro Rata Portion	Schedule C
Purchasers	First Paragraph
Purchaser Disclosure Schedule	Article 4
Purchaser Indemnified Parties	7.1
Released Earnout Amount	7.7(c)
Restricted Stock Unit Agreements	2.6(a)
Scheduled Earnout Payment Date	7.7(c)
Securities Act	3.4(c)
Sellers	First Paragraph
Seller Disclosure Schedule	Article 3
Seller Releases	2.6(a)
Seller Representative	8.1(a)
Shares	Preamble
Share Purchaser	First Paragraph
Share Sellers	Preamble
Share Transfer Forms	2.6(a)
Third-Party Claim	7.4(a)
Third-Party Claim Notice	7.4(a)

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Third Party Intellectual Property	3.12(c)
Threshold	7.6(a)

Section 1.3 Construction. Any reference in this Agreement to an "Article," "Section," "Exhibit" or "Schedule" refers to the corresponding Article, Section, Exhibit or Schedule of or to this Agreement, unless the context indicates otherwise. The table of contents and the headings of Articles and Sections are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. All words used in this Agreement should be construed to be of such gender or number as the circumstances require. The term "including" means "including without limitation" and is intended by way of example and not limitation. Any reference to a statute is deemed also to refer to any amendments or successor legislation, and all rules and regulations promulgated thereunder, as in effect at the relevant time. Any reference to a Contract or other document as of a given date means the Contract or other document as amended, supplemented and modified from time to time through such date.

ARTICLE 2
THE TRANSACTION

Section 2.1 Purchase and Sale. In accordance with the provisions of this Agreement, at the Closing, (i) the Share Sellers will sell, convey, assign, transfer and deliver to the Share Purchaser, and the Share Purchaser will purchase and acquire from the Share Sellers, all of the Shares, (ii) the AGIP Sellers will sell, convey, assign, transfer and deliver to Priceline US, and Priceline US will purchase and acquire from the AGIP Sellers, all of the Membership Interests and (iii) RR will sell, convey, assign, transfer and deliver to the Share Purchaser, and the Share Purchaser will purchase and acquire from RR, all rights, title and interest in the Parity Option and the Convertible Debt.

Section 2.2 Initial Purchase Price. The purchase price for the Equity Interests (the "Purchase Price") will consist of (a) an amount in cash equal to $15,074,692.50 (the "Initial Purchase Price") and (b) the Earnout Amount, if any, to be calculated and paid by the Purchasers to the Earnout Participants in accordance with Schedule C. The Initial Purchase Price is subject to adjustment in accordance with Section 2.4. A portion of the Initial Purchase Price shall be used to fund the Escrow Fund and be payable in accordance with this Agreement and the Escrow Agreement, and the remainder shall be paid at Closing to each Seller and each Option Holder in accordance with Schedule A and Schedule B, respectively).

Section 2.3 Estimated Closing Balance Sheet. Attached as Schedule H is an unaudited consolidated balance sheet of the Acquired Companies prepared on an estimated basis as of the close of business on the Closing Date (the "Estimated Closing Balance Sheet"). The Estimated Closing Balance Sheet was prepared in accordance with GAAP in a manner consistent with the methods and practices used to prepare the Interim Balance Sheet. The Estimated Closing Balance Sheet also includes a statement setting forth the Sellers' good faith calculation of the [***] based on the Estimated Closing Balance Sheet.

Section 2.4 Post-Closing Adjustment.

(a) Within [***] after the Closing Date, the Purchasers will prepare and deliver to the Seller Representative (with contemporaneous delivery to the Escrow Agent if either of the Purchasers claim that it is entitled to payment pursuant to Section 2.4(f)) written notice (the "Adjustment Notice") containing (i) an unaudited consolidated balance sheet of the Acquired Companies as of the close of business on the Closing Date (the "Closing Balance Sheet"), (ii) the Purchasers' calculation of the [***] based on the Closing Balance Sheet (the [***]) and (iii) the Purchasers' calculation of the amount of any payments

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

required pursuant to Section 2.4(f) (the "Adjustment Calculation"). The Closing Balance Sheet will be prepared in good faith in accordance with GAAP in a manner consistent with the methods and practices used to prepare the Interim Balance Sheet. For the purpose of the Sellers' review of the Adjustment Notice, the Company shall provide and the Purchasers shall allow the Company to provide the Sellers (y) access to all books and records of the Acquired Companies relevant to the Sellers for the purpose of this Section 2.4, during normal business hours and at the place where the same are normally kept, with full right to make copies thereof or take extracts therefrom and, further, (z) with such information as the Sellers and their accountant shall reasonably require. The information so made available to the Sellers shall be subject to a duty of confidentiality except for disclosures necessary for resolving any disputed item or otherwise required by applicable Law or securities Laws, rules and regulations.

(b) Within [***] after delivery of the Adjustment Notice, the Seller Representative will deliver to the Purchasers (with contemporaneous delivery to the Escrow Agent if either of the Purchasers claim that it is entitled to payment pursuant to Section 2.4(f)) a written response in which the Seller Representative will either:

(i) agree in writing with the Adjustment Calculation, in which case such calculation will be final and binding on the parties for purposes of Section 2.4(f); or

(ii) dispute the Adjustment Calculation by delivering to the Purchasers a written notice (a "Dispute Notice") setting forth in reasonable detail the basis for each such disputed item.

(c) If the Seller Representative fails to take either of the foregoing actions within [***] after delivery of the Adjustment Notice, then the Sellers will be deemed to have irrevocably accepted the Adjustment Calculation, in which case, the Adjustment Calculation will be final and binding on the parties for purposes of Section 2.4(f).

(d) If the Seller Representative timely delivers a Dispute Notice to the Purchasers (with contemporaneous delivery to the Escrow Agent if either of the Purchasers claim that it is entitled to payment pursuant to Section 2.4(f)), then the Purchasers and the Seller Representative will attempt in good faith, for a period of [***], to agree on the Adjustment Calculation for purposes of Section 2.4(f). Any resolution by the Purchasers and the Seller Representative during such [***] period as to any disputed items will be final and binding on the parties for purposes of Section 2.4(f). If the Purchasers and the Seller Representative do not resolve all disputed items by the end of [***] after the date of delivery of the Dispute Notice, then the Purchasers and the Seller Representative will submit the remaining items in dispute to PricewaterhouseCoopers LLP for resolution, or if that firm is unwilling or unable to serve, the Purchasers and the Seller Representative will engage another mutually agreeable independent accounting firm of recognized international standing, which firm is not the regular auditing firm of the Purchasers or the Acquired Companies (such selected independent accounting firm, the "Independent Accounting Firm"). The Purchasers and the Seller Representative will instruct the Independent Accounting Firm to render its determination with respect to the items in dispute in a written report that specifies the conclusions of the Independent Accounting Firm as to each item in dispute and the resulting Adjustment Calculation. The Purchasers and the Seller Representative will each use their commercially reasonable efforts to cause the Independent Accounting Firm to render its determination within [***] after referral of the items to such firm or as soon thereafter as reasonably practicable. The Independent Accounting Firm's determination of the Adjustment Calculation as set forth in its report will be final and binding on the parties for purposes of Section 2.4(f). [***]

(e) For purposes of complying with this Section 2.4, the Purchasers and the Seller Representative will furnish to each other and to the Independent Accounting Firm such work papers and

---

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

other documents and information relating to the disputed issues as the Independent Accounting Firm may request and are available to that party (or its independent public accountants) and will be afforded the opportunity to present to the Independent Accounting Firm any material related to the disputed items and to discuss the items with the Independent Accounting Firm. The Purchasers may require that the Independent Accounting Firm enter into a customary form of confidentiality agreement with respect to the work papers and other documents and information regarding the Acquired Companies provided to the Independent Accounting Firm pursuant to this Section 2.4.

(f) If the [***] as finally determined pursuant to this Section 2.4 is [***], then the Sellers will pay to the Purchasers the amount of such difference in cash plus Interest thereon from the Closing Date through and including the date of such payment. [***]. If the [***] as finally determined pursuant to this Section 2.4 is [***], then the Purchasers will have no obligation to pay any such difference to the Sellers.

(g) Any payment to the Purchasers pursuant Section 2.4(f) will first be satisfied by payment from the Escrow Fund. The Sellers will be jointly and severally liable for any amount by which any payment required under Section 2.4(f) exceeds the then balance of the Escrow Fund, together with Interest from the Closing Date through and including the date of such payment, which payment will be effected by wire transfer of immediately available funds from the Sellers to an account or accounts designated by the Purchasers. Such payments will be made within five business days following the final determination of the [***] in accordance with this Section 2.4.

(h) Any payment made pursuant to this Section 2.4 will be treated by the parties for all purposes as an adjustment to the Initial Purchase Price and will not be subject to offset for any reason. The payment pursuant to Section 2.4(f) will be applied in proportion to the Initial Purchase Price to be received by each Seller as set forth on Schedule A and Schedule B.

Section 2.5 Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, New York, NY 10104, at 10:00 a.m., local time, on the date of this Agreement, or at such other time and place as the Purchasers and the Sellers may agree in writing. The time and date upon which the Closing actually occurs is referred to in this Agreement as the "Closing Date."

Section 2.6 Closing Deliveries.

(a) At the Closing, the Sellers will deliver or cause to be delivered to the Purchasers:

(i) such executed instruments of transfer or other evidence sufficient to transfer all of the Equity Interests to Purchasers (together, the "Equity Transfer Documents)", including certificates representing the Shares and statutory share transfer forms (the "Share Transfer Forms") in the form of Exhibit A executed by each Share Seller and all other documents necessary to register the Share Transfer Forms with the Mauritian Registrar General);

(ii) with respect to the Option Shares: (A) notices of exercise of options, in a form reasonably acceptable to Share Purchaser, in which each Option Holder (i) exercises all of the vested options in Class B Shares of the Company held by him or her upon Closing, (ii) authorizes the Share Purchaser to pay the aggregate exercise price payable in respect of the exercise of Options to the Company from the portion of the Initial Purchase Price payable to the Option Holder therefor, (iii) authorizes the sale of the Option Shares to the Share Purchaser and instructs the Seller Representative to carry out all necessary actions to effect such sale and purchase, and (iv) authorizes the Share Purchaser to pay the net consideration from the sale of Option Shares to

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

the Option Holders (having first deducted from the sale proceeds (1) the aggregate exercise price payable in respect of the exercise of the Options, plus (2) sufficient funds to satisfy any income tax liability and or any other tax or social security withholding required where appropriate and (3) the pro rata share of contributions to the Escrow Amount and the pro rata share of transaction fees and expenses associated with the exercise of the option and the sale of the Option Shares as set forth on Schedule B); and (B) a Share Transfer Form, executed by each Option Holder (all such documents, collectively, the "Option Share Transfer Documents");

(iii) a release in the form of Exhibit B executed by each Seller (collectively, the "Seller Releases");

(iv) an employment agreement, substantially in the respective forms agreed between the parties, as applicable, executed by Agoda Thailand and [***] (collectively, the "Employment Agreements");

(v) resignations effective as of the Closing Date of each director and officer of each Acquired Company as the Purchasers may have requested in writing prior to the Closing Date, with exception of the persons set forth on Schedule E;

(vi) a certificate in the form of Exhibit C of the secretary or assistant secretary (or equivalent officer, as applicable) of each Acquired Company dated as of the Closing Date and attaching with respect to each Acquired Company (A) the Acquired Company's charter and all amendments thereto, certified by the Secretary of State (or equivalent) of the jurisdiction of the Acquired Company's organization not more than five business days prior to the Closing Date, (B) the Acquired Company's bylaws (or equivalent) and all amendments thereto and (C) a certificate of good standing (or equivalent) of the Acquired Company certified by the Secretary of State (or equivalent) of the jurisdiction of the Acquired Company's organization, where applicable, and issued not more than five business days prior to the Closing Date; (D) all resolutions of the board of directors or other authorizing body (or a duly authorized committee thereof) of the Acquired Companies relating to this Agreement and the transactions contemplated by this Agreement; and (E) incumbency and signatures of the officers of the Company executing any agreement contemplated by this Agreement;

(vii) a receipt for the Initial Purchase Price, less the Escrow Amount, in a form reasonably satisfactory to the Purchasers;

(viii) an escrow agreement in the form of Exhibit D (the "Escrow Agreement") executed by Sellers' Representative and JPMorgan Chase Bank, N.A. (the "Escrow Agent");

(xix) an option cancellation agreement, substantially in the form of Exhibit E, executed by each holder of unvested options over shares in the Company, as set forth in Schedule B, and the Company (collectively, the "Option Cancellation Agreements");

(x) a restricted stock unit agreement substantially in the form of Exhibit F executed by [***] (collectively, the "Restricted Stock Unit Agreements");

(xi) a performance share unit agreement substantially in the form of Exhibit G executed by each of the holders of unvested options over shares in the Company listed on Schedule B (collectively, the "Performance Share Unit Agreements");

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(xii) an intellectual property assignment and release agreement in the form of Exhibit H (collectively, the "Employee IP Assignment and Release Agreements") executed by each employee of an Acquired Company listed on Schedule F and the respective Acquired Company;

(xiii) documents assigning and transferring all rights, title and interest in the Convertible Debt in the form of Exhibit I (the "Convertible Debt Assignment and Transfer Documents") executed by [***] and all additional documentation related thereto reasonably requested by the Share Purchaser to effect the assignment and transfer of such Convertible Debt to, and to allow for the immediate conversion of such Convertible Debt into shares of the Company by, Share Purchaser. The Sellers hereby waive any preemption or other rights with respect to shares in the Company issued on any such conversion;

(xiv) documents assigning and transferring all rights, title and interest in the Parity Option in the form of Exhibit J (the "Parity Option Assignment and Transfer Documents") executed by [***] and all additional documentation related thereto reasonably requested by the Share Purchaser to effect the assignment and transfer of such Parity Option to, and to allow for the immediate exercise of such Parity Option by, Share Purchaser. The Sellers hereby waive any preemption or other rights with respect to the shares in the Company to be transferred pursuant to the Parity Option;

(xv) a termination agreement, in a form reasonably acceptable to the Share Purchaser, executed by all Sellers terminating all prior shareholders agreements relating to the Company (including such shareholders agreements dated August 15, 2005, April 3, 2005, and March 11, 2005 and, subject to assignment of all rights, title and interest in, and exercise of, the Parity Option pursuant to the terms of this Agreement and the Parity Option Agreement);

(xvi) (A) evidence, in a form reasonably satisfactory to the Share Purchaser, that Agoda Singapore has received (1) [***] from [***] in consideration for the sale by Agoda Singapore to [***] of the outstanding debt owed by AAP to Agoda Singapore and (2) realizable assets with a value of approximately [***] (the "AAP Assets") from AAP; and

(xvii) evidence, in a form reasonably satisfactory to the Purchasers, that none of the Acquired Companies currently accepts bookings or permits bookings to be entered in its website with respect to the provision of products or services to, from or within [***].

(b) At the Closing, the Purchasers will deliver or cause to be delivered to the Sellers:

(i) the Initial Purchase Price (as adjusted pursuant to Section 2.4), less the Escrow Amount, to each Seller and Option Holder as set forth on Schedule A and Schedule B, respectively, by wire transfer of immediately available funds to the accounts notified in writing to the Purchasers prior to the Closing Date;

(ii) each of the Equity Transfer Documents executed by the Purchasers, as applicable;

(iii) a counterpart to each of the Option Share Transfer Documents executed by the Share Purchaser;

(iv) a counterpart to the Escrow Agreement executed by the Purchasers;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(v) a counterpart to each of the Restricted Stock Unit Agreements executed by Priceline US;

(vi) a counterpart to each of the Performance Share Unit Agreement executed by Priceline US;

(vii) a counterpart to each of the Convertible Debt Assignment and Transfer Documents executed by the Share Purchaser; and

(viii) a counterpart to each of the Parity Option Assignment and Transfer Documents executed by the Share Purchaser.

(c) At the Closing, the Purchasers will deliver or cause to be delivered the sum of [***] (the "Escrow Amount") to the Escrow Agent by wire transfer of immediately available funds to an account specified by the Escrow Agent.

(d) The Closing will not be deemed to have occurred until each party has delivered to the other applicable party or parties (or such receiving party or parties have waived such delivery of) all of the Closing documents, agreements, payments, and other deliveries required to be delivered or made by each party on or prior to the Closing Date, as set forth in this Section 2.6.

Section 2.7 Escrow Agent and Escrow Agreement. Concurrently with the execution and delivery of the Escrow Agreement, and pursuant to applicable provisions thereof, the Escrow Agent will establish an escrow account to hold the Escrow Amount (the "Escrow Fund") in trust pursuant to the Escrow Agreement free of any lien or other claim of any creditor of any of the parties which amount, plus any Interest accrued thereon, will be payable to the Sellers less (i) any amounts owed to the Purchasers with respect to any adjustments pursuant to Section 2.4 and (ii) any pending or paid indemnification claims asserted pursuant to Article 7, in accordance with the terms of this Agreement and the Escrow Agreement. The Escrow Fund will be deemed to have been withheld from each Seller and vested Option Holder in proportion to the amount of the Initial Purchase Price received by such Seller or vested Option Holder as set forth on Schedule A and Schedule B. The execution of this Agreement by the Sellers will constitute approval of the Escrow Fund, the Escrow Agreement, and the appointment of the Seller Representative.

Section 2.8 Purchase Price Allocation. The Purchase Price will be allocated in accordance with Schedules A, B and C. After the Closing, the parties will make consistent use of the allocation specified in Schedules A, B and C for all Tax purposes and in all filings, declarations and reports with the IRS (and other Tax authorities) in respect thereof. Any adjustment to the Purchase Price will be allocated pro rata to the items listed in Schedules A, B and C based on the relative fair market values of the assets on the Closing Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers jointly and severally represent and warrant to the Purchasers that as of the Closing Date the statements set forth in this Article 3 are true and correct, except, subject to Section 8.8, as set forth on the disclosure schedule delivered by the Sellers to the Purchasers concurrently with the execution and delivery of this Agreement and dated as of the Closing Date (the "Seller Disclosure Schedule"):

Section 3.1 Organization and Good Standing. Each Acquired Company is a corporation or limited liability company duly organized, validly existing and in good standing (where applicable) under

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

the Laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and assets and to conduct its business as presently conducted. Each Acquired Company is duly qualified or licensed to do business and, where applicable as a legal concept, is in good standing as a foreign corporation in each jurisdiction in which the character of the properties it owns, operates or leases or the nature of its activities makes such qualification or license necessary except where such failure to be so qualified or licensed or in good standing has not had or would not reasonably be expected to have a Material Adverse Effect. Section 3.1(a) of the Seller Disclosure Schedule sets forth an accurate and complete list of each Acquired Company's jurisdiction of formation and the other jurisdictions in which it is authorized to do business, and an accurate and complete list of the current directors and officers of each Acquired Company. The Sellers have delivered to the Purchasers accurate and complete copies of the certificate of incorporation and bylaws or other comparable charter or organizational documents of each Acquired Company, as currently in effect, and no Acquired Company is in default under or in violation of any provision thereof. [***] are the sole members of AGIP, and AGIP was formed on October 5, 2007 for the sole purpose of acquiring the IP Assets. AGIP has not conducted any business, incurred any liability or entered into any contract since its formation other than to the extent provided for or contemplated in this Agreement.

Section 3.2 Authority and Enforceability. Each Seller has all requisite power, authority and capacity to execute and deliver this Agreement and each of the Ancillary Agreements to which such Seller is a party and to perform such Seller's obligations under this Agreement and each such Ancillary Agreement. The execution, delivery and performance of this Agreement and the Ancillary Agreements have been duly authorized by all necessary action on the part of the Sellers. This Agreement has been duly executed and delivered by each Seller and constitutes the legal, valid and binding obligation of each Seller, enforceable against each Seller in accordance with its terms subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law). Upon the execution and delivery by the Sellers of the Ancillary Agreements, the Ancillary Agreements will constitute the legal, valid and binding obligations of the Sellers party thereto, enforceable against such Sellers in accordance with their terms subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 3.3 No Conflict. Except as set forth on Section 3.3 of the Seller Disclosure Schedule, neither the execution and delivery of this Agreement, nor the consummation or performance of the transactions contemplated by this Agreement, will (a) directly or indirectly (with or without notice, lapse of time or both) conflict with, result in a breach or violation of, constitute a default (or give rise to any right of termination, cancellation, acceleration, suspension or modification of any obligation or loss of any benefit) under, result in any payment becoming due under, or result in the imposition of any Encumbrances on any of the Equity Interests or any of the properties or assets of any Acquired Company under (i) the certificate of incorporation, bylaws or other comparable charter or organizational documents of any Acquired Company, or any resolution adopted by the Sellers or the board of directors of any Acquired Company, (ii) any Governmental Authorization or Contract to which any Acquired Company or any Seller is a party or by which any Acquired Company or any Seller is bound or to which any of their respective properties or assets is subject or (iii) any Law or Judgment applicable to any Acquired Company or any Seller or any of their respective properties or assets; or (b) require any Acquired Company or any Seller to obtain any consent, waiver, approval, ratification, permit, license, Governmental Authorization or other authorization of, give any notice to, or make any filing or registration with, any Governmental Authority or other Person, except, in the case of the foregoing clauses (ii) and (iii), as would not have or be reasonably likely to have a Material Adverse Effect.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 3.4 Capitalization and Ownership.

(a) The authorized share capital of the Company consists solely of (i) 846 Class A shares, par value $1.00 ("Class A Shares"), of which 846 shares are issued and outstanding and no shares are held in treasury; and (ii) 1,154 Class B shares, par value $1.00 ("Class B Shares"), of which 355 shares are issued and outstanding and 799 shares are held in treasury. The Shares represent all of the issued and outstanding Class A Shares and Class B Shares. The Membership Interests represent all of the issued and outstanding membership interests in AGIP. As of the Closing Date, the Sellers are the sole record holders and beneficial owners of all of the Equity Interests, free and clear of all Encumbrances, in the respective amounts set forth in Schedule A and Schedule B.

(b) Section 3.4(b) of the Seller Disclosure Schedule sets forth for each Subsidiary (i) its name and jurisdiction of incorporation or organization, (ii) its authorized capital stock (or equivalent) and (iii) the number of issued and outstanding (or equivalent) shares of capital stock, the record and beneficial owners thereof and the number of shares held in treasury (or equivalent). No Acquired Company owns, controls or has any rights to acquire, directly or indirectly, any capital stock or other equity interests or debt instruments of any Person, except for the Subsidiaries. Except as set forth in Section 3.4(b) of the Seller Disclosure Schedule, all of the outstanding equity securities and other securities of each Subsidiary are owned of record and beneficially by one or more of the Acquired Companies, free and clear of all Encumbrances, in the respective amounts set forth in Section 3.4(b) of the Seller Disclosure Schedule.

(c) Except as set forth in this Section 3.4 or in Section 3.4(c) of the Seller Disclosure Schedule, (i) there are no equity securities of any class of any Acquired Company, or any security exchangeable into or exercisable for such equity securities, issued, reserved for issuance or outstanding and (ii) there are no options, warrants, equity securities, calls, rights or other Contracts to which any Acquired Company is a party or by which any Acquired Company is bound obligating any Acquired Company to issue, exchange, transfer, deliver or sell, or cause to be issued, exchanged, transferred, delivered or sold, additional shares of capital stock or other equity interests of any Acquired Company or any security or rights convertible into or exchangeable or exercisable for any such shares or other equity interests, or obligating any Acquired Company to grant, extend, accelerate the vesting of, otherwise modify or amend or enter into any such option, warrant, equity security, call, right, or Contract. Except as set forth in Section 3.4(c) of the Seller Disclosure Schedule, there are no Contracts to which any Acquired Company or any Seller or any Affiliate of any Acquired Company or any Seller is a party, or by which any Acquired Company or any Seller is bound, with respect to the voting (including voting trusts or proxies), registration under the Securities Act of 1933 (the "Securities Act") or any foreign securities Law, or the sale or transfer (including Contracts imposing transfer restrictions), of any shares of capital stock or other equity interests of any Acquired Company. Except as set forth in Section 3.4(c) of the Seller Disclosure Schedule, no holder of Indebtedness of any Acquired Company has any right to convert or exchange such Indebtedness for any equity securities or other securities of any Acquired Company, and no holder of Indebtedness of any Acquired Company has any rights to vote for the election of directors of any Acquired Company or to vote on any other matter.

(d) All of the Equity Interests and the issued and outstanding (or equivalent) equity securities of each Subsidiary are duly authorized, validly issued, fully paid (in the case of issued and outstanding Shares), nonassessable, not subject to or issued in violation of any purchase option, right of first refusal, preemptive right, subscription right or any similar right and have been issued in compliance with all applicable Laws. No legend or other reference to any purported Encumbrance appears on any certificate representing the Equity Interests or any equity securities of any Subsidiary.

(e) There are no obligations, contingent or otherwise, of any Acquired Company to repurchase, redeem or otherwise acquire any shares of capital stock, or other equity interests, of any

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Acquired Company. No Acquired Company is subject to any obligation or requirement to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any subsidiary or any other Person.

Section 3.5 Financial Statements.

(a) Attached as Section 3.5 of the Seller Disclosure Schedule are the following financial statements (collectively, the "Financial Statements"):

(i) an audited consolidated balance sheet of the Agoda Companies as of December 31, 2006 (the "Balance Sheet") and the related audited consolidated and consolidating statements of income, changes in shareholders' equity and cash flow for the fiscal year then ended, including in each case any notes thereto, together with the report thereon of Morison (Mauritius), independent certified public accountants; and

(ii) an unaudited consolidated balance sheet of the Agoda Companies as of September 30, 2007 (the "Interim Balance Sheet") and the related unaudited consolidated statement of income and changes in shareholders' equity for the nine months then ended.

(b) Except as set forth in Section 3.5(b) of the Seller Disclosure Schedule, the Financial Statements (including the notes thereto) are correct and complete in all material respects, are consistent with the books and records of the Agoda Companies and have been prepared in accordance with GAAP, consistently applied throughout the periods involved (except that the interim financial statements are subject to normal recurring year-end adjustments, the effect of which will not, individually or in the aggregate, be material, and the absence of notes that, if presented, would not differ materially from the notes to the Balance Sheet). The Financial Statements fairly present the financial condition and the results of operations, changes in shareholders' equity and cash flow of the Agoda Companies as of the respective dates and for the periods indicated therein, all in accordance with GAAP. No financial statements of any Person other than the Agoda Companies are required by GAAP to be included in the financial statements of the Company.

Section 3.6 Books and Records. The books of account, minute books, stock record books and other records of the Acquired Companies, all of which have been made available to the Purchaser, are accurate and complete in all material respects. At the time of the Closing, all of such books and records will be in the possession of the respective Acquired Company.

Section 3.7 Accounts Receivable; Bank Accounts.

(a) Subject to any reserves set forth in the Financial Statements, the accounts receivable shown on the Financial Statements represent valid, bona fide claims against debtors for sales and other charges. The amount carried for doubtful accounts and allowances disclosed in the Financial Statements was calculated in accordance with GAAP and in a manner consistent with prior periods. To the Sellers' Knowledge, there is no contest, claim, defense or right of setoff, other than returns in the ordinary course of business, relating to the amount or validity of such accounts receivable.

(b) Section 3.7(b) of the Seller Disclosure Schedule sets forth an accurate and complete list of the names and addresses of all banks and financial institutions in which any Acquired Company has an account, deposit, safe-deposit box, line of credit or other loan facility or relationship, or lock box or other arrangement for the collection of accounts receivable, with the names of all Persons authorized to draw or borrow thereon or to obtain access thereto.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 3.8 No Undisclosed Liabilities. No Acquired Company has any Liability that is required to be disclosed on a balance sheet prepared in accordance with GAAP that is not reflected on the Interim Balance Sheet except for Liabilities incurred in the ordinary course of business after the date of the Interim Balance Sheet and which are similar in nature and amount to the Liabilities which arose during the comparable period of time in the immediately preceding fiscal period. The Estimated Closing Balance Sheet, when delivered under Section 2.3, has been prepared in accordance with GAAP, in a manner consistent with the methods and practices used to prepare the Interim Balance Sheet, and presents the [***] and the other information set forth therein, in compliance with the applicable provisions of Section 2.3.

Section 3.9 Absence of Certain Changes and Events. Except as set forth in Section 3.9 of the Seller Disclosure Schedule, since the date of the Balance Sheet, each Acquired Company has conducted its business only in the ordinary course of business and there has not been any Material Adverse Effect. Without limiting the generality of the foregoing, except as set forth in Section 3.9 of the Seller Disclosure Schedule, since the date of the Balance Sheet, there has not been with respect to any Acquired Company any:

(a) amendment to its articles of incorporation or bylaws or other comparable charter or organizational documents;

(b) change in its authorized (or equivalent) or issued capital stock, or issuance, sale, grant, repurchase, redemption, pledge or other disposition of or Encumbrance on any shares of its capital stock or other voting securities or any securities convertible, exchangeable or redeemable for, or any options, warrants or other rights to acquire, any such securities;

(c) split, combination or reclassification of any of its capital stock;

(d) declaration, setting aside or payment of any dividend or other distribution (whether in cash, securities or other property) in respect of its capital stock (other than dividends and distributions by a Subsidiary to the Company);

(e) (i) incurrence of any Indebtedness, (ii) issuance, sale or amendment of any of its debt securities or warrants or other rights to acquire any of its debt securities, guarantee of any debt securities of another Person, entry into any "keep well" or other Contract to maintain any financial statement condition of another Person or entry into any arrangement having the economic effect of any of the foregoing, (iii) loans, advances (other than routine advances to its employees in the ordinary course of business) or capital contributions to, or investment in, any other Person, other than the Company or any Subsidiary and other than in accordance with the Company's cash investment policy as described in Section 3.9(e) of the Seller Disclosure Schedule or (iv) entry into any hedging Contract or other financial agreement or arrangement designed to protect any Acquired Company against fluctuations in commodities prices or exchange rates;

(f) sale, lease, license, pledge or other disposition of or Encumbrance on any of its properties or assets, except in the ordinary course of business consistent with past practice;

(g) acquisition (i) by merger or consolidation with, or by purchase of all or a substantial portion of the assets or any stock of, or by any other manner, any business or Person or (ii) any assets that are material to any Acquired Company individually or in the aggregate, except purchases of inventory and raw materials in the ordinary course of business;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(h) damage to, or destruction or loss of, any of its assets or properties with an aggregate value to any Acquired Company in excess of [***], whether or not covered by insurance;

(i) entry into, modification, acceleration, cancellation or termination of, or receipt of notice of termination of, any Contract (or series of related Contracts) which involves a total remaining commitment by or to any Acquired Company of at least [***] or otherwise outside the ordinary course of business;

(j) (i) except as required by Law, adoption, entry into, termination or amendment of any (A) collective bargaining agreement, (B) Company Plan applicable to (1) any of its directors, officers or [***] highest paid employees (collectively, the "Key Employees") or (2) all or substantially all of its other employees generally, (C) employment, severance or similar Contract applicable to (1) any Key Employee or (2) any other employee or consultant that represents an annual expenditure by the Acquired Companies equal to or greater than [***] per applicable individual, (ii) increase (A) in the compensation or fringe benefits of, or payment of any bonus to any Key Employee or (B) greater than [***] (based on total compensation for each applicable individual) in the compensation or fringe benefits of, or payment of any bonus to, any other employee or consultant or other independent contractor, (iii) amendment or acceleration of the payment, right to payment or vesting of any compensation or benefits, (iv) payment of any benefit not provided for as of the date of this Agreement under any Company Plan, (v) grant of any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan, including the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any Company Plans or Contracts or awards made thereunder or (vi) any action other than in the ordinary course of business to fund or in any other way secure the payment of compensation or benefits under any Company Plan;

(k) cancellation, compromise, release or waiver of any claims or rights (or series of related claims or rights) with a value exceeding [***] or otherwise outside the ordinary course of business;

(l) settlement or compromise in connection with any Proceeding;

(m) capital expenditure or other expenditure with respect to property, plant or equipment in excess of [***] in the aggregate for the Acquired Companies taken as a whole;

(n) change in accounting principles, methods or practices or investment practices, including any changes as were necessary to conform with GAAP;

(o) change in payment or processing practices or policies regarding intercompany transactions;

(p) other than in the ordinary course of business consistent with past practice, acceleration or delay in the payment of accounts payable or other Liabilities or in the collection of notes or accounts receivable;

(q) making or rescission of any Tax election, settlement or compromise of any Tax Liability or amendment of any Tax Return; or

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(r) authorization of or Contract by any Acquired Company to take any of the actions described in this Section 3.9.

Section 3.10 Assets. Each Acquired Company has good and marketable title to, or in the case of leased assets, valid leasehold interests in, all of its assets, tangible or intangible, free and clear of any Encumbrances other than Permitted Encumbrances. Each Acquired Company owns or leases all tangible personal property used in or necessary to conduct its business as conducted by the Acquired Companies. Each such material item of tangible personal property is in all material respects in good operating condition and repair, ordinary wear and tear excepted. Agoda Singapore has received good and marketable title to the AAP Assets free and clear of any Encumbrances other than Permitted Encumbrances.

Section 3.11 Leased Real Property.

(a) No Acquired Company owns any real property, nor has any Acquired Company ever owned any real property.

(b) Section 3.11(b) of the Seller Disclosure Schedule sets forth an accurate and complete description of all real property (including the date end term of the lease, and the aggregate annual rent payable thereunder) in which any Acquired Company has a leasehold or subleasehold estate or other right to use or occupy (collectively, the "Leased Real Property"). The Sellers have delivered to the Purchasers accurate and complete copies of all leases and other Contracts granting a right in or relating to the Leased Real Property and all Contracts and other documents evidencing, creating or constituting Encumbrances upon or rights in the Leased Real Property.

(c) Each Acquired Company holds valid leasehold interests in its Leased Real Property, free and clear of any Encumbrances other than Permitted Encumbrances.

(d) To the Knowledge of the Sellers, use of the Leased Real Property for the various purposes for which it is presently being used is permitted as of right under applicable zoning Laws and is not subject to "permitted non-conforming" use or structure classifications (or the equivalent under local law).

(e) No Person other than an Acquired Company is in possession of any portion of the Leased Real Property. No Acquired Company has granted to any Person the right to use or occupy any portion of any parcel of Leased Real Property, and no Acquired Company has received notice, and the Sellers have no Knowledge, of any claim of any Person to the contrary.

Section 3.12 Intellectual Property.

(a) Each Acquired Company owns or otherwise possesses valid and legally enforceable rights to use all Intellectual Property owned, created, acquired, licensed or used by the respective Acquired Companies as of the Closing Date, except for the specific service mark applications listed on Schedule 3.12(a)(i) (but not including any common law or equivalent rights in the relevant jurisdictions) which applications are owned by AGIP (the "Company Intellectual Property"). The Company Intellectual Property constitutes all of the Intellectual Property used in or necessary to conduct the businesses of the Acquired Companies as conducted by the Acquired Companies. One or more of the Acquired Companies are the sole owners of, and have valid title to, all of the Company Intellectual Property, other than the Third Party Intellectual Property listed in the Seller Disclosure Schedule pursuant to Section 3.12(c) (the "Owned Intellectual Property"). Section 3.12(a)(ii) of the Seller Disclosure Schedule sets forth a complete and accurate list of all material Owned Intellectual Property. Immediately after the Closing, one

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

or more of the Acquired Companies will be the sole owners of, and will have valid title to, the Owned Intellectual Property, and will have the full right to use, license and transfer the Company Intellectual Property in the same manner and on the same terms and conditions that the Acquired Companies had immediately prior to the Closing, except to the extent the Purchasers sell, assign or transfer such Owned Intellectual Property.

(b) With respect to the Owned Intellectual Property, Section 3.12(b) of the Seller Disclosure Schedule sets forth a complete and accurate list of the following for each of the Acquired Companies (together): (i) all patents and patent applications, registered trademarks and service marks, including applications for the same, Internet domain names, and copyright registrations and applications, indicating for each, the applicable jurisdiction, registration number (or application number) and date issued (or date filed), and (ii) each computer software item created by or for any Seller or Acquired Company and used in the Business. Section 3.12(b) also identifies all Contracts under which any Acquired Company or A.T. has licensed or otherwise granted rights in any of the Owned Intellectual Property to any Person (except for licenses implied by the sale of a product or service to customers in the ordinary course of business or as permitted by Sellers under the standard terms of use policy as may be posted to the websites of the Agoda Companies and attached as Exhibit K in the ordinary course of business).

(c) Section 3.12(c) of the Seller Disclosure Schedule sets forth a complete and accurate list of the Intellectual Property that any third party (excluding A.T.) has licensed or sublicensed to any Acquired Company or otherwise authorized any Acquired Company to use, to the extent such Intellectual Property is currently used in the Business (the "Third Party Intellectual Property"), including a list of the related Contracts (but excluding software licensed to an Acquired Company under generally available retail shrinkwrap or clickwrap licenses and used in the Acquired Company's business, but not incorporated into software, products or services licensed, sold, distributed or otherwise made available or anticipated to be licensed, sold, distributed or otherwise made available by any Acquired Company to customers or otherwise resold or distributed by any Acquired Company). No Acquired Company has granted any sublicense or similar right to any third party with respect to any such Third Party Intellectual Property.

(d) The Owned Intellectual Property is free of all Encumbrances other than Permitted Encumbrances and is not subject to any Proceeding, Judgment or Contract that limits or restricts its use anywhere in the world. To the Sellers' Knowledge, no Person has any rights in the Owned Intellectual Property that could cause termination of any Acquired Company's rights in the Owned Intellectual Property.

(e) All patents and registered and unregistered trademarks, service marks and copyrights included in the Company Intellectual Property are valid and subsisting under applicable Law for those respective categories of Intellectual Property, except as set forth in Schedule 3.12(e) of the Seller Disclosure Schedule. The Seller Representative has delivered to the Purchasers accurate and complete copies of all patents, registrations and applications, each as amended to date, included in the Owned Intellectual Property and all other written documentation evidencing ownership and prosecution of each such item.

(f) No Acquired Company has agreed to indemnify, defend or otherwise hold harmless any other Person with respect to Losses resulting or arising from the Company Intellectual Property, except under those Contracts summarized or described in Section 3.12(c) of the Seller Disclosure Schedule.

(g) To the Sellers' Knowledge, no Person has infringed or misappropriated any of the Company Intellectual Property, other than as set forth in Section 3.12(g) of the Seller Disclosure Schedule. Immediately after the Closing, one or more of the Acquired Companies will have sole rights to

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

bring actions for infringement or misappropriation of the Owned Intellectual Property. No Acquired Company (or A.T.) has commenced or threatened any Proceeding, or asserted any allegation or claim, against any Person for infringement or misappropriation of the Company Intellectual Property or breach of any Contract involving the Company Intellectual Property, except set forth in Section 3.12(d) of the Seller Disclosure Schedule.

(h) Except as set forth in Section 3.12(h) of the Seller Disclosure Schedule, to the Sellers' Knowledge, neither the conduct of the Business nor the Acquired Companies' (or A.T.'s) creation, use, license or other transfer of the Company Intellectual Property infringe or misappropriate any other Person's Intellectual Property rights. No Acquired Company (or A.T.) has received notice of any pending or threatened Proceeding or any allegation or claim in which any Person alleges that an Acquired Company (or A.T.), its business or the Company Intellectual Property has violated any Person's Intellectual Property rights. There are no pending disputes between any Acquired Company (or A.T.) and any other Person relating to the Company Intellectual Property.

(i) Each Acquired Company and A.T. (while it owned the IP Assets) has taken all commercially reasonable steps necessary to protect and preserve each material item of Company Intellectual Property, including any trade secrets included in the Company Intellectual Property. Each Acquired Company has taken all commercially reasonable steps necessary to comply with any duties of the Acquired Company to protect the confidentiality of information provided to the Acquired Company by any other Person. Except as set forth in Section 3.12(i) of the Seller Disclosure Schedule, each Acquired Company and A.T. (with respect to the IP Assets) has obtained from each current and former employee, consultant and other independent contractor with access to Company Intellectual Property an assignment of any and all rights in and to all Owned Intellectual Property, except to the extent that all such rights inure to the ownership of the Acquired Company (or A.T.) upon creation.

(j) Each Acquired Company takes commercially reasonable steps at all times to assure that all software and data residing on its computer networks or licensed or otherwise distributed to customers is free of viruses and other disruptive technological means. The Owned Intellectual Property does not and, to the Sellers' Knowledge, the Third Party Intellectual Property does not, contain any computer code or other mechanism of any kind designed to disrupt, disable or harm in any manner the operation of any software or hardware or other business processes or to misuse, gain unauthorized access to or misappropriate any business or personal information, including worms, bombs, backdoors, clocks, timers, or other disabling device code, or designs or routines that cause software or information to be erased, inoperable, or otherwise incapable of being used, either automatically or with passage of time or upon command.

(k) Except as set forth in Schedule 3.12(k), the computer software source and object code underlying or utilized in connection with the Owned Intellectual Property does not incorporate, depend upon or require for its functionality any source or object code or other Intellectual Property that is not wholly-owned by the Acquired Company purporting to own such Intellectual Property. None of the Owned Intellectual Property and, to the Sellers' Knowledge, none of the Third Party Intellectual Property, was developed using any Governmental Authority or university funding or facilities, nor was it obtained from a Governmental Authority or university. No Acquired Company is a member of, and no Acquired Company is obligated to license or disclose any Intellectual Property to, any official or de facto standards setting or similar organization or to any organization's members. None of the Owned Intellectual Property, and, to the Sellers' Knowledge, none of the Third Party Intellectual Property, includes any software of the type commonly referred to as "freeware" or "shareware," or that is subject to any form of "GNU," "Mozilla," or other public license.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 3.13 Contracts.

(a) Section 3.13(a) of the Seller Disclosure Schedule sets forth an accurate and complete list of each Contract (or group of related Contracts) to which any Acquired Company is a party, by which any Acquired Company is bound or pursuant to which any Acquired Company is an obligor or a beneficiary, which:

(i) involves performance of services, the performance of which extends over a period of more than six months or that otherwise involves an amount or value in excess of [***];

(ii) is for capital expenditures in excess of [***];

(iii) is a mortgage, indenture, guarantee, loan or credit agreement, security agreement or other Contract relating to Indebtedness, other than accounts receivables and payables in the ordinary course of business;

(iv) is a lease or sublease of any real or personal property, or that otherwise affects the ownership of, leasing of, title to, or use of, any real or personal property (except personal property leases and conditional sales agreements having a value per item or aggregate payments of less than [***] and a term of less than one year);

(v) is a license or other Contract under which any Acquired Company has licensed or otherwise granted rights in any Company Intellectual Property to any Person (except for the IP License) or any Person has licensed or sublicensed to any Acquired Company, or otherwise authorized any Acquired Company to use, any Third Party Intellectual Property (except for software licensed to an Acquired Company under generally available retail shrinkwrap or clickwrap licenses and used in the Acquired Company's business, but not incorporated into software, products or services licensed or sold, or reasonably anticipated to be licensed or sold, by any Acquired Company to customers or otherwise resold or distributed by any Acquired Company);

(vi) is for the employment of, or receipt of any services from, any director or officer of an Acquired Company or any other Person on a full-time, part-time, consulting or other basis providing annual compensation by the Acquired Companies in excess of [***];

(vii) provides for severance, termination or similar pay to any of the Acquired Companies' current or former directors, officers, employees or consultants or other independent contractors;

(viii) provides for a loan or advance of any amount to any director or officer of any Acquired Company, other than advances for travel and other appropriate business expenses in the ordinary course of business;

(ix) licenses any Person to manufacture or reproduce any of the Acquired Companies' products, services or technology, or any Contract in excess of [***] to sell or distribute any of the Acquired Companies' products, services or technology;

(x) is an affiliate marketing agreement or other Contract to drive traffic to Acquired Companies' products, services or technology generating more than [***] in commissions or not made during the ordinary course of business on terms substantially similar to the Acquired Companies' affiliate marketing agreement as set forth in Exhibit M;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(xi) is a joint venture, partnership or other Contract involving any joint conduct or sharing of any business, venture or enterprise, or a sharing of profits or losses or pursuant to which any Acquired Company has any ownership interest in any other Person or business enterprise other than the Subsidiaries;

(xii) is an agency or distribution agreement or arrangement;

(xiii) contains any covenant limiting the right of any Acquired Company to engage in any line of business or to compete (geographically or otherwise) with any Person, granting any exclusive rights to make, sell or distribute any Acquired Company's products or services, granting any "most favored nations" or similar rights or otherwise prohibiting or limiting the right of any Acquired Company to make, sell or distribute any products or services;

(xiv) involves payments in excess of [***] (including rebates and commissions) based, in whole or in part, on profits, revenues, sales, fee income or other financial performance measures of any Acquired Company, including rebate or commission agreements with hotels and hotel inventory resellers that are reimbursed based on Acquired Company sales;

(xv) is a power of attorney granted by or on behalf of any Acquired Company;

(xvi) is a written warranty, guaranty or other similar undertaking with respect to contractual performance extended by an Acquired Company other than in the ordinary course of business;

(xvii) provides insurance with respect to the business, properties, assets or operations of any Acquired Company;

(xviii) is a settlement agreement with respect to any pending or threatened Proceeding entered into within three years prior to the date of this Agreement, other than (A) releases immaterial in nature or amount entered into with former employees or independent contractors of any Acquired Company in the ordinary course of business in connection with routine cessation of such employee's or independent contractor's employment with any Acquired Company or (B) settlement agreements for cash only (which has been paid) and does not exceed [***] as to such settlement;

(xix) was entered into other than in the ordinary course of business and that involves an amount or value in excess of [***] or contains or provides for an express undertaking by an Acquired Company to be responsible for consequential damages; or

(xx) is otherwise material to the business, properties or assets of the Acquired Companies taken as a whole or under which the consequences of a default or termination could result in a Material Adverse Effect.

(b) The Sellers have delivered to the Purchasers an accurate and complete copy of each of the Contracts required to be listed in Section 3.13(a) of the Seller Disclosure Schedule. With respect to each such Contract required to be listed:

(i) the Contract is legal, valid, binding, enforceable and in full force and effect except to the extent it has previously expired in accordance with its terms;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(ii) no Acquired Company nor, to the Sellers' Knowledge, any other party to the Contract is in material breach or material default under the Contract and no event has occurred or circumstance exists (including transactions contemplated by this Agreement) that (with or without notice, lapse of time or both) would constitute a material breach or material default by any Acquired Company or, to the Sellers' Knowledge, by any such other party or permit termination, cancellation, acceleration, suspension or modification of any material obligation or loss of any material benefit under, result in any payment becoming due under, result in the imposition of any Encumbrances on any of the Equity Interests or any of the properties or assets of any Acquired Company under, or otherwise give rise to any right on the part of any Person to exercise any remedy or obtain any relief under, the Contract, nor has any Acquired Company given or received notice or other communication alleging the same; and

(iii) no party has repudiated any portion of the Contract.

(c) Section 3.13(c) of the Seller Disclosure Schedule sets forth details of all discounts, overriders, rebates, reward programs and similar arrangements which are material to the Business and offered or granted to each Acquired Company by its suppliers or by each Acquired Company to third parties, including affiliate marketers and customers.

(d) To the Sellers' Knowledge, no director, agent, employee or consultant or other independent contractor of any Acquired Company is a party to, or is otherwise bound by, any Contract, including any confidentiality, noncompetition or proprietary rights agreement, with any other Person that materially adversely affects (i) the performance of his or her duties for the Acquired Companies, (ii) his or her ability to assign to any Acquired Company rights to any invention, improvement, discovery or information relating to the business of the Acquired Companies or (iii) the ability of any Acquired Company to conduct its business as currently conducted.

(e) None of the Acquired Companies are, and none of the Acquired Companies at any time within the past five years have been, parties to any Contract relating to the provision of goods or services to (i) any Governmental Authority, (ii) any prime contractor to any Governmental Authority or (iii) any subcontractor with respect to any Contract described in clause (i) or (ii).

Section 3.14 Tax Matters.

(a) All Tax Returns of the Acquired Companies required to be filed on or before the Closing Date have been timely filed in accordance with applicable Laws, and each such Tax Return is accurate and complete in all material respects. Each Acquired Company has timely paid all Taxes due with respect to the taxable periods covered by such Tax Returns. No claim has ever been made by a Governmental Authority in a jurisdiction where an Acquired Company does not file a Tax Return that it is or may be subject to taxation by that jurisdiction. The Acquired Companies have not requested an extension of time within which to file any Tax Return which has not since been filed.

(b) The Acquired Companies do not and will not have additional Liability for Taxes with respect to any Tax Return which was required by applicable Laws to be filed on or before the Closing Date, other than those reflected as Liabilities in line items on the Balance Sheet. The amounts reflected as Liabilities in line items on the Balance Sheet for all Taxes are adequate to cover all unpaid Liabilities for all Taxes, whether or not disputed, that have accrued with respect to, or are applicable to, the period ended on and including the Closing Date, regardless of whether the liability is shown on a Tax Return and regardless whether the Tax return for that period has been filed.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(c) All Taxes that each Acquired Company is required by Law to withhold or collect, including sales and use Taxes and amounts required to be withheld or collected in connection with any amount paid or owing to any employee, independent contractor, creditor, shareholder, or other Person, have been duly withheld or collected. To the extent required by applicable Law, all such amounts have been paid over to the proper Governmental Authority or, to the extent not yet due and payable, are held in separate bank accounts for such purpose.

(d) No federal, state, local or foreign audits or other Proceedings are pending or being conducted, nor has any Acquired Company received any (i) notice from any Governmental Authority requesting information related to Tax matters or that any such audit or other Proceeding is pending, threatened or contemplated or (ii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any Governmental Authority against any Acquired Company, with respect to any Taxes due from or with respect to any Acquired Company or any Tax Return filed by or with respect to any Acquired Company. The Acquired Companies have not granted or been requested to grant any waiver of any statutes of limitations applicable to any claim for Taxes or with respect to any Tax assessment or deficiency.

(e) All Tax deficiencies that have been claimed, proposed or asserted in writing against any Acquired Company have been fully paid or finally settled, and no issue has been raised in writing in any examination which, by application of similar principles, could be expected to result in the proposal or assertion of a Tax deficiency for any other year not so examined.

(f) None of the Acquired Companies has engaged in a "reportable transaction" within the meaning of Section 6707A(c)(1) of the Code.

(g) None of the Acquired Companies is a party to or bound by any Tax sharing agreement, Tax indemnity obligation or similar Contract or practice with respect to Taxes (including any advance pricing agreement, closing agreement or other Contract relating to Taxes with any Governmental Authority).

(h) None of the Acquired Companies is or has been a member of an affiliated group within the meaning of Section 1504(a) of the Code (or any similar group defined under a similar provision of foreign, state or local Law), other than a group of which the Company is the common parent, and none of the Acquired Companies has any Liability for Taxes of any other Person under Section 1.1502-6 of the Treasury Regulations (or any similar provision of foreign, state or local Law), as a transferee or successor, by Contract or otherwise.

(i) None of the Acquired Companies is or has been a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(j) None of the Acquired Companies has participated in a transaction described in section 355 of the Code for the two-year period ended on the Closing Date.

(k) There are no Encumbrances upon any properties or assets of any Acquired Company arising from any failure or alleged failure to pay any Tax (other than Encumbrances relating to Taxes not yet due and payable and for which adequate reserves have been recorded in line items on the Balance Sheet).

(l) The holder of the Convertible Debt has a tax basis in the Convertible Debt for U.S. federal income tax purposes in an amount which is not less than the face amount of the debt.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(m) Immediately prior to the Closing, AGIP will be considered a partnership for U.S. federal tax purposes, and AGIP has not made or filed any entity classification election on Form 8832 since the date it was formed.

(n) The Company is considered to own substantially all of the economic benefits and burdens associated with the IP Assets for U.S. federal income tax purposes.

Section 3.15 Employee Benefit Matters.

(a) Section 3.15(a) of the Seller Disclosure Schedule sets forth an accurate and complete list of all Company Plans.

(b) The Seller Representative has delivered to the Purchasers an accurate and complete copy of (i) each writing that sets forth the terms of each Company Plan, including plan documents, plan amendments, any related trusts, all summary plan descriptions and other summaries and descriptions furnished to participants and beneficiaries, (ii) all personnel, payroll and employment manuals and policies of each Acquired Company, (iii) a written description of any Company Plan that is not otherwise in writing, (iv) all registration statements filed with respect to any Company Plan, (v) all insurance policies purchased by or to provide benefits under any Company Plan, (vi) all reports submitted since December 31, 2004 by third-party administrators, actuaries, investment managers, trustees, consultants or other independent contractors with respect to any Company Plan and financial statements disclosing Liability for all obligations owed under any Company Plan, and (vii) all notices required to be provided under applicable law.

(c) No Company Plan is intended to be qualified under Section 401(a) of the Code and no Company Plan is subject to Section 409A of the Code. None of the Company Plans are subject to ERISA. None of the Acquired Companies is subject to the continuation coverage requirements of Sections 601 et seq. of ERISA and Section 4980B of the Code, the Health Insurance Portability and Accountability Act of 1996 and the Family Medical Leave Act 1993. No stock options granted by an Acquired Company are subject to Section 409A of the Code. Each Company Plan that is intended to qualify for tax-preferential treatment under applicable Law so qualifies and has received, where required, approval from the applicable Governmental Authority that it is so qualified and no event has occurred or circumstance exists that may give rise to disqualification or loss of tax-preferential treatment.

(d) None of the Acquired Companies has, or within the past six (6) years has had, any ERISA Affiliates.

(e) Each Company Plan is and at all times has been maintained, funded, operated and administered, and the Acquired Companies have performed all of their obligations under each Company Plan, in each case in accordance with the terms of such Company Plan and in compliance in all material respects with all applicable Laws. All contributions required to be made to any Company Plan by applicable Law and the terms of such Company Plan, and all premiums due or payable with respect to insurance policies funding any Company Plan, for any period through the Closing Date, have been timely made or paid in full or, to the extent not required to be made or paid on or before the Closing Date, have been fully reflected in line items on the Interim Balance Sheet. All returns, reports and filings required by any Governmental Authority or which must be furnished to any Person with respect to each Company Plan have been filed or furnished.

(f) No event has occurred or circumstance exists that could reasonably be expected to result (i) in an increase in premium costs of any Company Plan that is insured or (ii) an increase in the cost of any Company Plan that is self-insured. Other than routine claims for benefits submitted by participants or

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

beneficiaries, no claim against, or Proceeding involving, any Company Plan or any fiduciary thereof is pending or, to the Sellers' Knowledge, is threatened, which could reasonably be expected to result in any Liability, direct or indirect (by indemnification or otherwise) of any Acquired Company to any Governmental Authority or any Person, and no event has occurred or circumstance exists that could reasonably be expected to give rise to any such Liability. No Proceeding has been concluded that resulted in any Liability of any Acquired Company that has not been fully discharged.

(g) To the Sellers' Knowledge, and to the extent not otherwise required by Law, each Acquired Company has the right to modify and terminate benefits (other than pensions) with respect to both retired and active employees. To the Sellers' Knowledge, each Company Plan sponsored by each Acquired Company permits assumption thereof by the Purchasers or their subsidiaries upon the Closing without the consent of the participants or any other Person.

(h) All Benefit Obligations under any Company Plan as of the Closing Date have been appropriately reflected on the financial statements of the Company Plan sponsor in accordance with local law, past practice and generally accepted accounting principles in each jurisdiction. Except as disclosed in Section 3.15(h) of the Seller Disclosure Schedule, each of the Company Plans providing retirement benefits owns assets (including cash or insurance contracts) with a fair market value, as of the Closing Date, equal to or greater than the greater of (i) the Benefit Obligations under such plan or (ii) the projected benefit obligation, as defined in the Statement of Financial Accounting Standards No. 87 using assumptions disclosed by the Sellers to the Purchasers, with respect to all the participants covered by such plan.

(i) The consummation of the transactions contemplated by this Agreement (either alone or in conjunction with any other event) will not cause accelerated vesting, payment or delivery of, or increase the amount or value of any payment or benefit under or in connection with any Company Plan or constitute a "deemed severance" or "deemed termination" under any Company Plan otherwise with respect to, any director, officer, employee, or former director, former officer or former employee of any Acquired Company. No Acquired Company has made or has become obligated to make, and no Acquired Company will as a result of the consummation of the transactions contemplated by this Agreement become obligated to make, any payments that could be nondeductible by reason of Section 280G of the Code (without regard to subsection (b)(4) thereof) or Section 162(m) of the Code (or any corresponding provision of foreign, state or local Law), nor will any Acquired Company be required to "gross up" or otherwise compensate any individual because of the imposition of any excise Tax on such a payment to the individual.

(j) Neither of the Purchasers, their respective Affiliates or any of the Acquired Companies will assume or have any obligations or Liability whatsoever with regard to any "employee pension benefit plan" as defined in Section 3(2) of ERISA, each "employee welfare benefit plan", as defined in Section 3(1) of ERISA, and each agreement, plan, program, fund, policy, contract or arrangement (whether written or unwritten) providing compensation, benefits, pension, retirement, superannuation, profit sharing, stock bonus, stock option, stock purchase, phantom or stock equivalent, bonus, thirteenth month, incentive, deferred compensation, hospitalization, medical, dental, vision, vacation, life insurance, death benefit, sick pay, disability, severance, termination indemnity, redundancy pay, educational assistance, holiday pay, housing assistance, moving expense reimbursement, fringe benefit or similar employee benefits covering any employee, former employee, director or consultant of any Person other than an Acquired Company, or the beneficiaries and dependents of any employee or former employee, director or consultant of such Person.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 3.16 Employment and Labor Matters.

(a) Section 3.16(a) of the Seller Disclosure Schedule sets forth an accurate and complete list of all employees and independent contractors currently performing services for any Acquired Company, including each employee on leave of absence or layoff status, along with the position, date of hire, engagement or seniority, compensation and benefits. To the Sellers' Knowledge, no Key Employee or group of employees of any Acquired Company has notified any Acquired Company of an intention to terminate his, her or their employment with the Acquired Companies within the 12-month period following the Closing Date.

(b) No Acquired Company is, or has been, a party to or bound by any collective bargaining, works council, employee representative or other Contract with any labor union, works council, employee committee or representative of any similar employee group, nor is any such Contract being negotiated by any Acquired Company. The Sellers have no Knowledge of any union organizing, election or other activities made or threatened at any time within the past three years by or on behalf of any union, works council, employee committee or other labor organization or group of employees with respect to any employees of any Acquired Company. There is no union, works council, employee committee, employee representative or other labor organization, which, pursuant to applicable Law, must be notified, consulted or with which negotiations need to be conducted connection with the transactions contemplated by this Agreement.

(c) Since July 1, 2002, no Acquired Company has experienced any labor strike, picketing, lockout or other work stoppage or labor dispute, nor to the Sellers' Knowledge is any such action threatened. To the Sellers' Knowledge, no event has occurred or circumstance exists that may give rise to any such action, nor does any Acquired Company contemplate a lockout of any employees.

(d) Each Acquired Company has complied in all material respects with all applicable Laws (including Occupational Safety and Health Laws) and its own policies relating to labor and employment matters, including fair employment practices, terms and conditions of employment, contractual obligations, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, workers' compensation, the payment of social security and similar Taxes, occupational safety and layoff or severance.

(e) Except as set forth in Section 3.16(e) of the Seller Disclosure Schedule, there is no Proceeding pending or, to the Sellers' Knowledge, threatened against or affecting any Acquired Company relating to the alleged violation by any Acquired Company (or its directors or officers) of any Law pertaining to labor relations or employment matters. To the Sellers' Knowledge, no Acquired Company has committed any unfair labor practice, nor, to the Sellers' Knowledge, has there been any charge or complaint of unfair labor practice filed or, to the Sellers' Knowledge, threatened against any Acquired Company before the National Labor Relations Board or any other Governmental Authority. There has been no complaint, claim or charge of discrimination filed or, to the Sellers' Knowledge, threatened, against any Acquired Company with the Equal Employment Opportunity Commission or any other Governmental Authority.

Section 3.17 Environmental Matters.

(a) Each Acquired Company is, and for the last five years has been, in material compliance with all, and not subject to any material Liability under any, applicable Environmental Laws. No Acquired Company has received any written report regarding any actual or alleged violation of Environmental Laws, including any investigatory, remedial or corrective obligations relating to any

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Acquired Company or any Leased Real Property. To the Knowledge of the Sellers and except as would not result in any material Liability, no Hazardous Materials are present at any Leased Real Property.

Section 3.18 Compliance with Laws, Judgments and Governmental Authorizations.

(a) Except as set forth in Section 3.18(a) of the Seller Disclosure Schedule, each Acquired Company has complied in all material respects with all, and no Acquired Company has violated in any material respect any, Laws, Judgments and Governmental Authorizations applicable to it or to the conduct of its business or the ownership or use of any of its properties or assets. Except as set forth in Section 3.18(a) of the Seller Disclosure Schedule, no Acquired Company has received, at any time in the past three years, any written notice or other communication from any Governmental Authority or any other Person regarding any actual, alleged or potential violation of, or failure to comply with, any Law, Judgment or Governmental Authorization, or any actual or alleged obligation on the part of any Acquired Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Section 3.18(b) of the Seller Disclosure Schedule sets forth an accurate and complete list of each material Governmental Authorization that is held by each Acquired Company or that otherwise relates to the business of, or any of the assets owned or used by, any Acquired Company, all of which are valid and in full force and effect. To the Sellers' Knowledge, the Governmental Authorizations listed in Section 3.18(b) of the Seller Disclosure Schedule collectively constitute all of the material Governmental Authorizations necessary to permit the Acquired Companies to conduct their businesses lawfully in the manner in which they currently conduct such businesses and to permit the Acquired Companies to own and use their assets in the manner in which they own and use such assets.

(c) Section 3.18(c) of the Seller Disclosure Schedule sets forth an accurate and complete list of each Judgment to which any Acquired Company, or any of the assets owned or used by any Acquired Company, is or has been subject. To the Sellers' Knowledge, no director, officer, employee or agent of any Acquired Company is subject to any Judgment that prohibits such director, officer, employee or agent from engaging in or continuing any conduct, activity or practice relating to the business of any Acquired Company.

Section 3.19 Corruption and Trade Regulation.

(a) Except to the extent permitted by applicable Laws, neither any Acquired Company, nor any of their respective officers, directors, employees, consultants, representatives, agents or Affiliates (nor any Person acting on behalf of any of the foregoing) has directly, or indirectly through a third-party intermediary, paid, offered, given, promised to pay, or authorized the payment of any money or anything of value (including any gift, sample, travel, meal and lodging expense, entertainment, service, equipment, debt forgiveness, donation, grant or other thing of value, however characterized) to (i) any officer or employee of a Governmental Authority, (ii) any Person acting for or on behalf of any Governmental Authority, (iii) any political party or official thereof, (iv) any candidate for political office or (v) any other Person at the suggestion, request, direction or for the benefit of any of the above-described Persons.

(b) Neither any Acquired Company, nor any of their respective officers, directors, employees, consultants, representatives, agents or Affiliates has violated or is in violation of any applicable anti-bribery Law, including Laws implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (to the extent applicable).

(c) All transactions of the Acquired Companies have been properly and accurately recorded in all material respects on the books and records of the Acquired Companies and each document on which

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

entries in the Acquired Companies' books and records are based (including purchase orders, customer or company invoices and service agreements) is complete and accurate in all material respects.

(d) Each Acquired Company has made all payments to third parties pursuant to valid Contracts or invoices and by check mailed to such third parties' principal place of business or by wire transfer to an account held in the name of the third party in a bank located in the same jurisdiction as such party's principal place of business or to a place of business in a jurisdiction where such third party performs service pursuant to a valid Contract.

(e) Neither any Acquired Company, nor any Person acting on behalf of any Acquired Company, has, directly, or indirectly through a third-party intermediary, entered into any Contract that remains in effect with any Person resident in the following countries: Bahrain, Bangladesh, Indonesia, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Taiwan, United Arab Emirates, or Yemen and that contains provisions that would be prohibited by or subject to penalty under the anti-boycott Laws of the United States.

(f) Except to the extent permitted by applicable Laws or as set forth in Section 3.19(f) of the Seller Disclosure Schedule, no Acquired Company has at any time in the past five years engaged in the sale, supply, purchase, import, export, re-export or transfer of products or services, either directly or indirectly, to, from or within Cuba, Iran, Iraq, Libya, Myanmar (Burma), North Korea, Sudan, or Syria (the "Certain Nations"), or is a party to or beneficiary of, or has any interest in, any franchise, license, management or other Contract with any Person, either public or private, in the Certain Nations or in relation to the supply of services to, from or within the Certain Nations, or is a party to any investment, deposit, loan, borrowing or credit arrangement or involved in any other financial dealings, with any Person, either public or private, in the Certain Nations.

(g) Since July 1, 2002, except as set forth on Schedule 3.19(g) of the Seller Disclosure Schedule, all exports, re-exports, sales, supplies or transfers of products or services of the Acquired Companies have been effected in accordance with all applicable Laws, including anti-corruption, customs, export control, trade sanctions, anti-terrorism and anti-boycott Laws of the United States or any other relevant jurisdiction.

Section 3.20 Legal Proceedings. Section 3.20 of the Seller Disclosure Schedule sets forth an accurate and complete list of all pending Proceedings (a) by or against any Acquired Company or any of the properties or assets owned, leased or operated by any Acquired Company, (b) to the Sellers' Knowledge, by or against any of the directors or officers of the Acquired Companies in their capacities as such or (c) that challenge, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. Except as set forth in Section 3.20 of the Seller Disclosure Schedule, to the Sellers' Knowledge, no other such Proceeding has been threatened. The Sellers have delivered to the Purchasers accurate and complete copies of all pleadings, correspondence, audit response letters and other documents relating to such Proceedings.

Section 3.21 Customers and Suppliers. Section 3.21 of the Seller Disclosure Schedule sets forth an accurate and complete list of details regarding the Acquired Companies' [***] largest direct hotel suppliers as of September 18, 2007 and the Acquired Companies' [***] largest wholesale, tour operator and other indirect hotel suppliers as of August 31, 2007. There exists no actual, and the Sellers have no Knowledge of any threatened, termination, cancellation or material limitation of, or any material change in, the business relationship of any Acquired Company with any customer, supplier, group of customers or group of suppliers listed in Section 3.21 of the Seller Disclosure Schedule. To the Sellers' Knowledge, no customer or supplier so listed has indicated within the past [***] that it will stop or materially decrease

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

the rate of its transactions, or otherwise materially change its business relationship, with any Acquired Company.

Section 3.22 Insurance. Section 3.22 of the Seller Disclosure Schedule sets forth an accurate and complete list of all certificates of insurance, binders for insurance policies and insurance maintained by any Acquired Company, or under which any Acquired Company has been the beneficiary of coverage at any time within the past five years. All premiums due and payable under such insurance policies have been paid. The Sellers have no Knowledge of any threatened termination of, or material premium increase with respect to, any of those policies. Section 3.22 of the Seller Disclosure Schedule further sets forth an accurate and complete list of all pending claims asserted by the Acquired Companies pursuant to any such certificate of insurance, binder or policy, and describes the nature and status of the claims. To the Sellers' Knowledge, no Acquired Company has failed to give in a timely manner any notice of any claim that may be insured under any certificate of insurance, binder or policy required to be listed in Section 3.22 of the Seller Disclosure Schedule and there are no outstanding claims which have been denied or disputed by the insurer. No Acquired Company has ever maintained, established, sponsored, participated in or contributed to any self-insurance program, retrospective premium program or captive insurance program.

Section 3.23 Relationships with Affiliates. No Seller or Affiliate of any Seller, nor any director, officer or other Affiliate of any Acquired Company has any interest in any property (whether real, personal or mixed and whether tangible or intangible) used in or pertaining to any Acquired Company's business. No Seller, or Affiliate of any Seller, nor any director, officer or other Affiliate of any Acquired Company owns (of record or as a beneficial owner) an equity interest or any other financial or profit interest in a Person that has (a) had business dealings or a financial interest in any transaction with any Acquired Company or (b) engaged in competition with any Acquired Company with respect to any line of the products or services of such Acquired Company in any market presently served by such Acquired Company, except for less than [***] of the outstanding capital stock of any competing business that is publicly traded on any recognized exchange or in the over-the-counter market. Except as set forth in Section 3.23 of the Seller Disclosure Schedule, to the Sellers' Knowledge, no Seller, or Affiliate of any Seller, nor any director, officer or other Affiliate of any Acquired Company, is a party to any Contract with, or has any claim or right against, any Acquired Company other than agreements pertaining to employment, intercompany obligations owed by one Acquired Company to another Acquired Company, or Benefit Obligations.

Section 3.24 Insolvency. No Acquired Company is insolvent or will be rendered insolvent by any of the transactions contemplated by this Agreement. As used in this Section 3.24, "insolvent" means that the sum of the present fair saleable value of such Person's assets does not and will not exceed its debts and other probable Liabilities.

Section 3.25 Brokers or Finders. Except as set forth in Section 3.25 of the Seller Disclosure Schedule, no Seller, Acquired Company or any Person acting on behalf of any Seller or Acquired Company has incurred any Liability for brokerage or finders' fees or agents' commissions or other similar payment in connection with any of the transactions contemplated by this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

The Purchasers jointly and severally represent and warrant to the Sellers that as of the Closing Date the statements set forth in this Article 4 are true and correct, except, subject to Section 8.8, as set forth on the disclosure schedule delivered by the Purchasers to the Sellers concurrently with the execution and delivery of this Agreement and dated as of the Closing Date (the "Purchaser Disclosure Schedule"):

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 4.1 Organization and Good Standing. Each Purchaser is a corporation or limited liability company duly organized, validly existing and in good standing (where applicable) under the Laws of its jurisdiction of incorporation. Share Purchaser is a direct or indirect wholly-owned subsidiary of Priceline US.

Section 4.2 Authority and Enforceability. Each Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it is a party and to perform its obligations under this Agreement and each such Ancillary Agreement. The execution, delivery and performance of this Agreement and the Ancillary Agreements have been duly authorized by all necessary action on the part of the Purchasers. This Agreement has been duly executed and delivered by each Purchaser and constitutes the legal, valid and binding obligation of each Purchaser, enforceable against each Purchaser in accordance with its terms subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law). Upon the execution and delivery by the Purchasers of the Ancillary Agreements, such Ancillary Agreements will constitute the legal, valid and binding obligations of the Purchasers party thereto, enforceable against such Purchasers in accordance with their terms subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

Section 4.3 No Conflict. Neither the execution, delivery and performance of this Agreement by the Purchasers, nor the consummation by the Purchasers of the transactions contemplated by this Agreement, will (a) directly or indirectly (with or without notice, lapse of time or both), conflict with, result in a breach or violation of, constitute a default (or give rise to any right of termination, cancellation, acceleration, suspension or modification of any obligation or loss of any benefit) under, result in payment becoming due under, or result in the imposition of any Encumbrance on any of the properties or assets of either Purchaser under (i) the certificate of incorporation, bylaws or other comparable charter or organizational documents of either Purchaser or any resolution adopted by the stockholders or board of directors of either Purchaser, (ii) any Governmental Authorization or Contract to which either Purchaser is a party or by which either Purchaser is bound or to which any of its properties or assets is subject or (iii) any Law or Judgment applicable to either Purchaser or any of its properties or assets; or (b) require either Purchaser to obtain any consent, waiver, approval, ratification, permit, license, Governmental Authorization or other authorization of, give any notice to, or make any filing or registration with, any Governmental Authority or other Person, except, in the case of the foregoing clauses (ii) and (iii), as would not have or be reasonably likely to have a material adverse effect on the Purchasers or their ability to perform their obligations under this Agreement.

Section 4.4 Legal Proceedings. There is no pending Proceeding that has been commenced against either Purchaser and that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. To the Purchasers' Knowledge, no such Proceeding has been threatened.

Section 4.5 Investment Intent. Each Purchaser is acquiring the Equity Interests (as applicable) for its own account and not with a view to their distribution within the meaning of Section 2(11) of the Securities Act.

Section 4.6 Brokers or Finders. Neither Purchaser nor any Person acting on behalf of either Purchaser has incurred any Liability for brokerage or finders' fees or agents' commissions or other similar payment in connection with any of the transactions contemplated by this Agreement.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

ARTICLE 5
COVENANTS

Section 5.1 Expenses. Except as otherwise expressly provided in this Agreement, each party will bear its respective direct and indirect expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated by this Agreement, including all fees and expenses of its advisors and representatives. All amounts relating to any financial, legal, accounting or other advisor, and all other transaction fees and expenses, in each case incurred by the Acquired Companies in connection with this Agreement and the transactions contemplated by this Agreement, will be paid by the Sellers in full out of the Initial Purchase Price on the Closing Date (including any fee payable to Sparring Partners Capital LLC with respect to its engagement by the Company in relation to the transactions contemplated by this Agreement) to the respective payees thereof and/or into a separate escrow fund to be established with the Escrow Agent pursuant to an agreement between the Escrow Agent and the Seller Representative.

Section 5.2 Confidentiality.

(a) From and after the Closing, the confidentiality obligations of Priceline US (and any of its Affiliates) under the Mutual Nondisclosure Agreement between the Agoda Companies and Priceline US dated May 17, 2007 (the "Confidentiality Agreement") will terminate with respect to all Confidential Information. From and after the Closing, each Seller will, and will cause each of its Affiliates to, maintain the confidentiality of, and not use for their own benefit or the benefit of any other Person (but may disclose to its advisors and representatives as reasonably required, provided such advisors or representatives are made aware of the confidentiality obligations under this Section 5.2 and the disclosing Seller remains responsible for any breach thereof by such advisors or representatives), the Confidential Information. As used in this Section 5.2, "Confidential Information" means any confidential information, in whatever form or medium, concerning the business of any of the Acquired Companies, but will not, however, include information which (i) is or becomes publicly available other than as a result of a disclosure by any Seller, (ii) is or becomes available to any Seller on a non-confidential basis from a source (other than an Acquired Company or any director, officer, employee, agent, consultant or other advisor or representative of an Acquired Company) which, to the knowledge of the Seller after due inquiry, is not prohibited from disclosing such information to the Seller by a legal, contractual or fiduciary obligation to any Acquired Company or (iii) is required to be disclosed by any Seller by law, any Governmental Authority or pursuant to any proceeding; provided, however, such Seller will notify the Purchasers promptly of the request or requirement for disclosure and the Purchasers shall have the right to seek an appropriate protective order.

(c) Effective upon the Closing, the Sellers hereby assign to the Company all of their rights under each confidentiality agreement (other than the Confidentiality Agreement) to which any of the Sellers is a party and which pertain to the business or operations of any Acquired Company. Each Seller, upon the request of either Purchaser from time to time, will use its commercially reasonable efforts to assist the Company in enforcing the provisions of any such confidentiality agreement.

Section 5.3 Noncompetition and Nonsolicitation.

(a) The Management Shareholders acknowledge that the Acquired Companies have over many years devoted substantial time, effort and resources to developing the Acquired Companies' trade secrets and other confidential and proprietary information, as well as the Acquired Companies' relationships with customers, suppliers, employees and others doing business with the Acquired Companies; that such relationships, trade secrets and other information are vital to the successful conduct of the Acquired Companies' businesses in the future; that because of the Management Shareholders'

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

access to the Acquired Companies' confidential information and trade secrets, the Management Shareholders would be in a unique position to divert business from the Acquired Companies and to commit irreparable damage to the Acquired Companies were the Management Shareholders to be allowed to compete with the Acquired Companies or to commit any of the other acts prohibited below; that the enforcement of the restrictive covenants against the Management Shareholders would not impose any undue burden upon any Management Shareholder; and that the ability to enforce the restrictive covenants against the Management Shareholders is a material inducement to the decision of the Purchasers to consummate the transactions contemplated by this Agreement. Accordingly, during the period commencing on the Closing Date and ending on the [***] of the Closing Date:

(i) no Management Shareholder will, anywhere in the world, directly or indirectly, whether as a principal, agent, employee or otherwise, or alone or in association with any Person, own, share in the earnings of, invest in the stock, bonds or other securities of, manage, operate, control, participate in the ownership, management, operation, or control of, finance (whether as a lender, investor or otherwise), guaranty the obligations of, be employed by, associated with, or otherwise aid or assist in any manner any Person that is engaged in or competitive with the business of any Acquired Company (a "Competing Activity"); provided, however, if any Management Shareholder's employment with the Acquired Companies ceases for any reason before the [***] of the Closing Date, the scope of Competing Activity applicable to such Management Shareholder shall be limited to business conducted by the Acquired Companies as of the Closing Date and any additional business conducted by the Acquired Companies in the period between the Closing Date and the date such employment ends. The Management Shareholders will, however, not be in violation of this Section 5.3(a) solely by reason of investing in stock, bonds or other securities of any Person engaged in a Competing Activity (but without otherwise participating in such business), if (A) such stock, bonds or other securities are listed on any national securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934 and (B) such investment does not exceed, in the case of any class of the capital stock of any one issuer, [***] of the issued and outstanding shares of such capital stock, or, in the case of bonds or other securities, [***]of the aggregate principal amount thereof issued and outstanding;

(ii) no Management Shareholder will directly or indirectly (A) solicit, on behalf of a competitive business, the business of any Person who is a customer of any Acquired Company, (B) cause, induce or attempt to cause or induce any customer, supplier, independent contractor, licensee, licensor, or franchisee or other business relation of any Acquired Company to cease or reduce the extent of its business relationship with such Acquired Company or to deal with any competitor of such Acquired Company or (C) in any way interfere with the relationship, between any Acquired Company and any of its customers, suppliers, licensees, licensors, franchisees or other business relations;

(iii) no Management Shareholder will directly or indirectly, recruit, solicit, cause, induce or attempt to cause or induce any employee of any Acquired Company to leave his or her employment either for the Management Shareholder or for any other Person, or in any way interfere with the relationship between any Acquired Company and any of its employees; and

(iv) no Seller will disparage the Purchasers or any of their Affiliates, the Acquired Companies, or any of their respective directors, officers, employees or agents who are known as such to such Seller, except that this Section 5.3(a)(iv) shall not apply to any truthful testimony or responses to inquiries from any Governmental Authority or with respect to any legal proceeding to which the Seller is a party.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(b) In the event a judicial determination is made that any provision of this Section 5.3 constitutes an unreasonable or otherwise unenforceable restriction against any Seller, the provisions of this Section 5.3 shall be rendered void only to the extent that such judicial determination finds such provisions to be unreasonable or otherwise unenforceable with respect to any Seller. In this regard, any judicial authority construing this Agreement shall be empowered to sever any portion of the territory, any prohibited business activity or any time period from the coverage of this Section 5.3 and to apply the provisions of this Section 5.3 to the remaining portion of the territory, the remaining business activities and the remaining time period not so severed by such judicial authority. Moreover, notwithstanding the fact that any provision of this Section 5.3 is determined not to be specifically enforceable, the Purchasers shall nevertheless be entitled to recover monetary damages as a result of the breach of such provision by the Sellers. The time period during which the prohibitions set forth in this Section 5.3 shall apply, shall be tolled and suspended for a period equal to the aggregate time during which any Seller violates such prohibitions in any respect.

Section 5.4 Public Announcements. For purposes of securities law compliance, each party agrees not to issue any press release or make any other public announcement relating to this Agreement without the prior written approval of the other party, except that the Purchasers reserve the right, without the Company's or any Seller's prior consent, to make any public disclosure it believes in good faith is required by applicable securities laws or securities listing standards (in which case the Purchasers shall advise the Sellers prior to making such disclosure and shall give the Sellers an opportunity to review such disclosure).

Section 5.5 [***].

Section 5.6 Further Actions. Subject to the other express provisions of this Agreement, upon the reasonable request of any party to this Agreement, the other parties will (a) furnish to the requesting party any additional information, (b) execute and deliver, at their own expense, any other documents and (c) take any other actions as the requesting party may reasonably require to more effectively carry out the intent of this Agreement and the transactions contemplated by this Agreement (including those actions necessary to (i) register the Share Transfer Forms with the Mauritian Registrar General and to ensure that the name of the Share Purchaser is entered into the shareholder register of the Company, and (ii) to procure that A.T. takes all further actions necessary for all rights, interest and title to the IP Assets to vest in AGIP and to be registered with applicable Governmental Authorities.

ARTICLE 6
CERTAIN TAX MATTERS

Section 6.1 Tax Returns.

(a) Tax Returns with respect to the Acquired Companies for the period ending on or before the Closing Date will be prepared in a manner consistent with and utilizing the accounting methods utilized in the preparation of the prior Tax Returns of the Acquired Companies. The Company (i) will submit all such Tax Returns to the Seller Representative for its review at least 30 days prior to filing, (ii) will not file such Tax Returns without the Seller Representative's prior consent, which consent will not be unreasonably withheld or delayed and (iii) will, promptly after filing, forward to the Seller Representative an accurate and complete copy of such filed Tax Returns and proof of payment of the subject Taxes.

(b) The Purchaser will file all Tax Returns with respect to the Acquired Companies for all taxable periods ending after the Closing Date.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 6.2 Payment of Taxes.

(a) Subject to 6.2(b), Sellers shall pay all Taxes imposed on the Acquired Companies for all periods ending on or prior to the Closing Date to the extent they exceed the amount of Taxes reflected as Liabilities in the calculation of [***] as finally determined pursuant to Section 2.4 of this Agreement.

(b) Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date will be allocated to the portion of the period that ends on the Closing Date in accordance with Section 6.3.

(c) In the case of Tax Returns filed by the Acquired Companies for periods ending on or before the Closing Date, and periods described in Section 6.3 of this Agreement, the Purchaser shall inform the Seller Representative of any amounts due from the Sellers under this Section 6.2 at least ten (10) days prior to the due date of the pertinent Tax Return and the Sellers will pay such amounts to the Purchaser in immediately available funds at least two business days prior to the due date of the Tax Return.

(d) Purchaser shall not: (i) make an election under Section 338 of the Code, as amended (or any similar provision under foreign, federal, state or local law) with respect to the sale of the Acquired Companies hereunder, and (ii) sell, transfer or dispose of any assets of the Acquired Companies after the Closing Date and before January 1, 2008, other than sales or dispositions that occur in the ordinary course of business. Nothing shall prevent the Acquired Companies from selling or otherwise disposing of their assets outside of the ordinary course of business after December 31, 2007.

Section 6.3 Tax Apportionment. In the case of Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date, the portion of any such Tax that is allocable to the portion of the period ending on the Closing Date will be:

(a) in the case of Taxes that are either (i) based upon or related to income or receipts or (ii) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) (other than any transaction Taxes contemplated by Section 6.5), deemed equal to the amount which would be payable if the taxable period ended as of the close of business on the Closing Date; and

(b) in the case of Taxes imposed on a periodic basis with respect to the assets of the Acquired Companies, or otherwise measured by the level of any item during a period, deemed to be the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period), multiplied by a fraction, the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

Section 6.4 Tax Elections. The Sellers will not, and will not cause or permit any Acquired Company to, without the prior written consent of the Purchasers (which consent will not be unreasonably withheld or delayed), make or revoke, or cause or permit to be made or revoked, any Tax election pertaining to any Acquired Company or the ownership of the Shares or Membership Interests.

Section 6.5 Transactional Taxes. Notwithstanding any other provision of this Agreement, all transfer, documentary, recording, notarial, sales, use, registration, stamp and other similar Taxes or fees imposed by any taxing authority in connection with the transactions contemplated by this Agreement will be borne by the Sellers. The Sellers will, at their own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes and, if required by applicable Law, the Purchasers will, and will cause their respective Affiliates to, join in the execution of any such Tax Returns or other documentation.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 6.6 Other Tax Matters.

(a) Cooperation with Respect to Tax Returns. Purchasers and Sellers agree to furnish or cause to be furnished to each other, and each at their own expense, as promptly as practicable, such information (including access to books and records) and assistance, including making employees available on a mutually convenient basis to provide additional information and explanations of any material provided, relating to the Acquired Companies as is reasonably necessary for the filing of any Tax Return, for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to Taxes. Purchasers or the Acquired Companies shall retain in their possession, and shall provide Seller Representative reasonable access to (including the right to make copies of), such supporting books and records and any other materials that Seller Representative may specify with respect to Tax matters relating to any taxable period ending on or prior to the Closing Date until the relevant statute of limitations has expired. After such time, Purchasers may dispose of such material, provided that prior to such disposition Purchasers shall give Seller Representative a reasonable opportunity to take possession of such materials.

(b) Refunds. To the extent there is a Final Judgment relating to the Acquired Companies for periods (or portions thereof) ending on or before the Closing Date which results in a refund of Taxes that were either (i) reflected as a Liability in the [***] and actually resulted in a reduction of the Purchase Price (i.e., because the Liability was reflected in both the [***] and [***] calculations or, alternatively, because the Liability was reflected in [***] and Sellers were required to make a payment to Purchasers under Section 2.4(f) of this Agreement); or (ii) not reflected as a Liability in either the [***] or the [***] because the Sellers in good faith were not aware of the Liability, the Purchasers shall pay the refund to the Seller Representative less any taxes due on the receipt of the refund (if any). However, the Purchasers shall not pay to Sellers a refund received relating to the Acquired Companies for periods (or portions thereof) ending on or before the Closing Date if the refund received was reflected as an asset in the calculation of the [***].

(c) Indemnity Payments. The Sellers and the Purchasers agree to treat any indemnity payment made pursuant to Article 7 as an adjustment to the Purchase Price for federal, state, local and foreign income tax purposes.

(d) Amended Returns. No Tax Return with respect to the Acquired Companies (i) for periods ending on or before the Closing Date or (ii) which begins before and ends after the Closing Date, shall be amended if it would result in an increase in the amount of Taxes for which Sellers are liable under this Agreement, without the prior written consent of Seller Representative.

ARTICLE 7
INDEMNIFICATION

Section 7.1 Indemnification by the Sellers. Subject to the limitations set forth in this Article 7, the Sellers, jointly and severally, will indemnify and hold harmless the Purchasers, each of the Purchasers' Affiliates, each of the Acquired Companies and each of their respective directors, officers, employees, agents, consultants, advisors, representatives and equity holders (collectively, the "Purchaser Indemnified Parties") from and against any and all Losses incurred or suffered by the Purchaser Indemnified Parties arising out of, relating to or resulting from any of the following:

(a) any inaccuracy in or breach of any representation or warranty of the Sellers contained in this Agreement or in any certificate delivered by the Sellers in connection with this Agreement;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(b) any breach or default of any covenant or agreement of the Sellers contained in this Agreement;

(c) any matter disclosed in (i) Section 3.9(k) of the Seller Disclosure Schedule (including any claim arising from an alleged breach of the Letter Agreement, dated March 8, 2006 referred to therein) or (ii) Section 3.20 of the Seller Disclosure Schedule or any Covered Claims (as defined in Schedule G);

(d) Subject to Article 6 of this Agreement, (i) any Taxes of any Acquired Company with respect to taxable periods ending on or before the Closing Date (in excess of the amount of Taxes reflected as Liabilities in the calculation of [***] (as finally determined in accordance with Section 2.4)), (ii) with respect to taxable periods beginning before the Closing Date and ending after the Closing Date, any Taxes of any Acquired Company which are allocable, pursuant to Section 6.3, to the portion of such period ending on the Closing Date (to the extent in excess of the amount of Taxes reflected as Liabilities in the calculation of [***] (as finally determined in accordance with Section 2.4)), (iii) any Taxes with respect to prior taxable periods listed in clauses (i) and (ii) hereof relating to any member of an affiliated group with which any Acquired Company has filed a Tax Return on a consolidated, combined or unitary basis; and (iv) any Loss suffered by Purchaser Indemnified Parties with respect to their recognition of any subpart F income (as defined in section 952 of the Code) accrued by the Acquired Companies during the period (or portions thereof) ending on or prior to the Closing Date;

(e) any Liability (whether or not disclosed on any Schedule to this Agreement or otherwise disclosed to or known by the Purchasers or any of their respective representatives or agents) of or relating to any Acquired Company or any of their respective Affiliates:

(i) arising out of or related to the simultaneous employment prior to the Closing Date by more than one Acquired Company (or any of their Affiliates) of any current or former employee of any Acquired Company; or

(ii) arising out of claims of infringement or misappropriation of Intellectual Property rights of any current or former employee or contractor (or any of its current or former agents or employees) of any of the Acquired Companies with respect to computer software and related functional specifications, databases, procedures manuals and design documentation, in each case that were created prior to the Closing Date by (A) any such current or former employee in the scope of his or her employment or (B) any current or former contractor (or any of its current or former agents or employees) in the scope of its (or their) engagement with any of the Acquired Companies;

(f) any claim (i) by any Affiliate of any Seller (or any shareholder of any such Affiliate), that is not an Acquired Company, arising out of acts or occurrences prior to the Closing or as a result of the consummation of the transactions contemplated by this Agreement at Closing; or (ii) relating to the operation by any Affiliate of any Seller (or any shareholder of any such Affiliate), that is not an Acquired Company, of any business other than the Business, at any time (whether before or after Closing); and

(g) any Proceedings, demands or assessments incidental to any of the matters set forth in clauses (a) through (f) above.

Section 7.2 Indemnification by the Purchasers. Subject to the limitations set forth in this Article 7, the Purchasers, jointly and severally, will indemnify and hold harmless the Sellers from and against any and all Losses incurred or suffered by the Sellers arising out of, relating to or resulting from any of the following:

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(a) any inaccuracy in or breach of any representation or warranty of the Purchasers contained in this Agreement or in any certificate delivered by the Purchasers in connection with this Agreement;

(b) any breach or default of any covenant or agreement of the Purchasers set forth in this Agreement; and

(c) any Proceedings, demands or assessments incidental to any of the matters set forth in clauses (a) and (b) above.

Section 7.3 Claim Procedure.

(a) A party that seeks indemnity under this Article 7 (an "Indemnified Party") will give prompt written notice (a "Claim Notice") to the party from whom indemnification is sought (an "Indemnifying Party") containing (i) a description and, if known, the estimated amount of any Losses incurred or reasonably expected to be incurred by the Indemnified Party, (ii) a reasonable explanation of the basis for the Claim Notice to the extent of the facts then known by the Indemnified Party and (iii) a demand for payment of those Losses.

(b) Within [***] after delivery of a Claim Notice, the Indemnifying Party will deliver to the Indemnified Party a written response in which the Indemnifying Party will either:

(i) agree that the Indemnified Party is entitled to receive all of the Losses at issue in the Claim Notice; or

(ii) dispute the Indemnified Party's entitlement to indemnification by delivering to the Indemnified Party a written notice (an "Objection Notice") setting forth in reasonable detail each disputed item, the basis for each such disputed item and certifying that all such disputed items are being disputed in good faith.

(c) If the Indemnifying Party fails to take either of the foregoing actions within [***] after delivery of the Claim Notice, then the Indemnifying Party will be deemed to have irrevocably accepted the Claim Notice and the Indemnifying Party will be deemed to have irrevocably agreed to pay the Losses at issue in the Claim Notice.

(d) If the Indemnifying Party delivers an Objection Notice to the Indemnified Party within [***] after delivery of the Claim Notice, then the dispute may be resolved by any legally available means consistent with the provisions of Section 8.12.

(e) If any Purchaser Indemnified Party is the Indemnified Party with respect to any claim for indemnification pursuant to this Article 7, the parties will contemporaneously deliver to the Escrow Agent copies of each Claim Notice and Objection Notice in connection with such claim.

(f) Any indemnification of the Purchaser Indemnified Parties pursuant to this Article 7 will be satisfied pursuant to the provisions of Section 7.7 hereof.

(g) Any indemnification of the Sellers pursuant to this Article 7 will be effected by wire transfer of immediately available funds to an account or accounts designated by the Seller Representative. All indemnification payments to be received by the Sellers in accordance with this Article 7 will be allocated among the Sellers in proportion to their respective shares of the Purchase Price as set forth on Schedule A and Schedule B.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(h) Subject to the provisions of Section 7.7 hereof, the foregoing indemnification payments will be made within [***] after the date (the "Indemnity Determination Date") on which (i) the amount of such payments are determined by mutual agreement of the parties, (ii) the amount of such payments are determined pursuant to Section 7.3(c) if an Objection Notice has not been timely delivered in accordance with Section 7.3(b) or (iii) both such amount and the Indemnifying Party's obligation to pay such amount have been finally determined by a final Judgment of a court having jurisdiction over such proceeding as permitted by Section 8.12 if an Objection Notice has been timely delivered in accordance with Section 7.3(b) (the final determination of such indemnification obligation and payment in accordance with the foregoing clauses (i), (ii) or (iii) being referred to herein as the "Indemnity Final Determination").

(i) For purposes of Section 7.3 and Section 7.4, (i) if the Sellers comprise the Indemnifying Party, any references to the Indemnifying Party (except provisions relating to an obligation to make or a right to receive any payments) will be deemed to refer to the Seller Representative and (ii) if the Sellers comprise the Indemnified Party, any references to the Indemnified Party (except provisions relating to an obligation to make or a right to receive any payments) will be deemed to refer to the Seller Representative.

Section 7.4 Third-Party Claims. Except as set forth in Schedule G, the following procedures shall apply with respect to Third-Party Claims (as defined herein):

(a) In order for any Indemnified Party to make a claim for any indemnification as provided for under Sections 7.1 and 7.2 in respect of, arising out of or involving a claim or demand made by any Person not a party to this Agreement against the Indemnified Party (a "Third-Party Claim"), the Indemnified Party will give written notice (a "Third-Party Claim Notice") to the Indemnifying Party within [***] after receipt by such Indemnified Party of notice of the Third-Party Claim and will include in such Third-Party Claim Notice (i) notice of the commencement of any Proceeding relating to such claim and (ii) the facts constituting the basis for such Proceeding and the amount of the damages claimed by the other Person, in each case to the extent known to the Indemnified Party. Notwithstanding the foregoing, no delay or deficiency on the part of the Indemnified Party in so notifying the Indemnifying Party will relieve the Indemnifying Party of any Liability or obligation under this Agreement except to the extent the Indemnifying Party is materially prejudiced by the delay or other deficiency.

(b) If a Third-Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to undertake, conduct and control the defense thereof and, if it so chooses, to assume the defense thereof with counsel of its choosing (with such counsel reasonably satisfactory to the Indemnified Party), at its own expense, provided, however, that the Indemnifying Party shall not have the right to undertake, conduct and control the defense of any Third-Party Claim if (i) such claim includes both the Indemnified Party and the Indemnifying Party, and the former shall have been advised in writing by counsel (with a copy to the Indemnifying Party) that there are one or more legal or equitable defenses available to them that are different from or additional to those available to the Indemnifying Party; or (ii) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend such Third-Party Claim and provide indemnification with respect to such Third-Party Claim. If the Indemnifying Party shall undertake, conduct and control the defense of any Third-Party Claim, the Indemnified Party shall be entitled to participate, at its own cost and expense, in the defense of such claim and to employ separate counsel of its choosing for such purpose. Should the Indemnifying Party so elect to assume the defense of a Third-Party Claim, the Indemnifying Party shall not, as long as it diligently conducts such defense, be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof, other than reasonable costs of investigation.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(c) If the Indemnifying Party assumes the defense of such a Third-Party Claim, (i) it will be conclusively established for purposes of this Agreement that that the claims that are the subject of the Third-Party Claim are within the scope of and subject to indemnification under this Article 7; (ii) no compromise or settlement of such claims may be effected by the Indemnifying Party without the Indemnified Party's consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed) unless (A) there is no admission of any violation of Law or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Party, and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and which release the Indemnified Party completely and unconditionally in connection with such Third-Party Claim. The Indemnified Party will have no Liability with respect to any compromise or settlement of such claims effected without its consent.

(d) Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third-Party Claim (and shall be liable for the fees and expenses of counsel incurred by the Indemnified Party in defending such Third-Party Claim) if the Third-Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Party.

(e) If notice is given to an Indemnifying Party of a Third-Party Claim and the Indemnifying Party does not, within [***] after the Indemnified Party's notice is given, give notice to the Indemnified Party of its election to undertake, conduct and control the defense of such Third-Party Claim, the Indemnified Party has the right to undertake, conduct and control the defense of any such claim, provided, however, that (i) the Indemnified Party shall obtain the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed) before entering into any compromise or settlement of such claims, and (ii) the Indemnifying Party shall have the right to participate in the defense of such claim and to employ separate counsel of its choosing for such purpose, at its own expense.

(f) The party not controlling the defense under this Section 7.4 (the "Non-Controlling Party") will, upon reasonable request, furnish the party controlling the defense (the "Controlling Party") with such information as it may have with respect to such Third-Party Claim (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other documents evidencing or asserting the same) and will otherwise reasonably cooperate with and assist the Controlling Party in the defense of such Third-Party Claim. All reasonable out-of-pocket costs and expenses incurred in connection with the Non-Controlling Party's cooperation shall be borne by the Controlling Party.

Section 7.5 Survival.

(a) All representations and warranties contained in this Agreement and any certificate delivered pursuant to this Agreement will survive the Closing for a period of [***] from the Closing Date; provided, however, that (i) the representations and warranties set forth in Sections 3.14 (*Tax Matters*), and the corresponding right to make claims thereunder, will survive until [***] following the [***], and (ii) the representations and warranties set forth in [***]. Notwithstanding anything to the contrary in this Agreement, the rights of the Purchaser Indemnified Parties and the Sellers to make claims for indemnification or reimbursement based upon any covenant to be performed or complied with after the Closing Date will survive in accordance with its terms.

(b) If an Indemnified Party delivers to an Indemnifying Party, before expiration of a representation or warranty, either a Claim Notice based upon a breach of any such representation or warranty, or a notice that, as a result of a Third-Party Claim, the Indemnified Party reasonably expects to incur Losses, then the applicable representation or warranty will survive until, but only for purposes of,

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

the resolution of the matter covered by such notice. If the Proceeding or written claim with respect to which such notice has been given is definitively withdrawn or resolved in favor of the Indemnified Party, the Indemnified Party will promptly so notify the Indemnifying Party.

Section 7.6 Limitations on Liability.

(a) Neither the Sellers nor the Purchasers are liable under (i) Section 7.1 (other than Section 7.1(b)) or Section 7.2 (other than Section 7.2.(b)), respectively, unless and until, with respect to an individual claim, the total monetary value of all aggregated Losses exceeds [***] (the "Claim Amount") [***]; and (ii) Section 7.1(a) or Section 7.2(a), respectively, unless and until the Claim Amount(s), when aggregated with other Claim Amount(s), so recoverable in respect of other such claims applicable to either Sellers, on one hand, or the Purchasers, on the other hand, exceeds [***] (the "Threshold") [***].

(b) Notwithstanding the foregoing provisions of Section 7.6(a):

(i) the Claim Amount, Threshold and Cap limitations do not apply to claims under [***];

(ii) the Cap limitations do not apply to claims under [***];

(iii) the Claim Amount, Threshold and Cap limitations do not apply to claims under [***]; and

(iv) the Claim Amount, Threshold and Cap limitations shall not apply to claims for [***].

(c) [***]. However, this subparagraph does not limit the right of the Indemnified Parties to obtain indemnity from the Indemnifying Parties to the extent that Third-Party Claims, for which the Indemnified Parties are otherwise entitled to indemnity under this Article 7, have been resolved by Judgment, settlement or other obligation to pay any of the types of damages listed in the preceding sentence.

(d) Subject to the other terms and limitations set forth herein (including Section 7.6(h)), [***].

(e) (i) [***].

(ii) [***].

(f) The Sellers shall not be liable in respect of any Losses under Section 7.1(a) for any matters resulting from a change of accounting policy or practice or the length of any accounting period adopted by the Purchasers with respect to the Acquired Companies after the Closing, that is applicable to periods prior to the Closing, unless such changes are adopted to comply with any requirement of applicable law which was not being properly complied with by the Acquired Companies on or prior to the Closing.

(g) The Sellers shall not be liable in respect of any claim for Losses if and to the extent that (i) the Losses relating thereto have been recovered under any other claim, or (ii) such Losses are reflected as Liabilities in the calculation of the [***] pursuant to Section 2.4 (regardless of whether such calculation actually resulted in a reduction of the Purchase Price pursuant to Section 2.4(g)). For purposes of clarification, Section 7.6(g)(i) shall limit the Purchaser Indemnified Parties to a single

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

recovery for each of their respective Losses, but shall not limit the number or nature of the claims the Purchaser Indemnified Parties may make to recover such Losses.

(h) Notwithstanding any other provision of this Agreement, nothing in this Agreement limits the Liability of a party to another party for fraud or willful misconduct committed by such party.

Section 7.7 Satisfaction of Indemnification Claims Against Sellers.

(a) [***]. For the avoidance of doubt (including for purposes of Section 7.5), this Section 7.7 controls only the means by which indemnification claims will be satisfied by the Sellers, and does not affect any Purchaser Indemnified Party's right to bring an indemnification claim, and provide a Claim Notice, at any time otherwise in accordance with this Article 7.

(b) To the extent any such indemnification obligations of the Sellers for any Losses exceed any remaining funds in the Escrow Fund, [***].

(c) Notwithstanding any other provision of this Section 7.7 or Schedule C, if the Purchaser Indemnified Parties have provided one or more Claim Notices prior to the due date for payment of the Earnout Amount (if any) in accordance with the terms of Schedule C (the "Scheduled Earnout Payment Date") and there has not been an Indemnity Final Determination with respect to one or more such Claim Notices prior to the Scheduled Earnout Payment Date, then only the Released Earnout Amount (if any) will be paid to the Earnout Participants in accordance with Schedule C. For purposes of this Section 7.7, the "Released Earnout Amount" means that portion of the Earnout Amount (if any) determined in accordance with Schedule C, which is in excess of the sum of (i) the aggregate amounts claimed in all unresolved or unsatisfied Claim Notice(s) (such aggregated amounts so claimed, together, the "Disputed Amount"), and (ii) all Losses that may be set off by the Purchaser Indemnified Parties against the Earnout Amount under Section 7.7(a) and (b) above (with respect to all Claim Notice(s) for which there has been an Indemnity Final Determination prior to the Scheduled Earnout Date). The Disputed Amount (if any) will be retained by the Share Purchaser from the Scheduled Earnout Payment Date until the applicable unresolved or unsatisfied Claim Notice(s) are settled or resolved in accordance with the terms of this Agreement, in which case the Disputed Amount (or any part thereof the subject of the Claim Notice in question) shall be paid to the Earnout Participants or used to satisfy the indemnification obligations of the Sellers, as so settled or resolved, in accordance with the provisions of Section 7.7(a) and (b) above.

(d) Other than as set forth in this Article 7, no party shall be entitled to set off any amount or right it may be entitled to pursuant to this Agreement against any amount, right or obligations owned to any other party pursuant to this Agreement or any Ancillary Agreement, including any Earnout Amount owing to the Earnout Participants under this Agreement.

(e) Any indemnification amounts required to be made by the Sellers under this Article 7 shall (subject to the Purchaser Indemnified Parties' right of set off against the Earnout Amount (if any) described in this Section 7.7) be made by wire transfer of immediately available funds from the Sellers to an account or accounts designated by the Purchasers.

Section 7.8 No Right of Indemnification or Contribution by Seller. No Seller has any right of indemnification or contribution against any Acquired Company with respect to any breach by the Sellers of any of their representations, warranties, covenants or agreements in this Agreement or any Ancillary Agreement, whether by virtue of any contractual or statutory right of indemnity or otherwise, and all claims to the contrary are hereby waived and released.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Section 7.9 Exercise of Remedies by Purchaser Indemnified Parties other than the Purchaser. No Purchaser Indemnified Party (other than the Purchasers or any successor or assignee of the Purchasers) is entitled to assert any indemnification claim or exercise any other remedy under this Agreement in its capacity as a Purchaser Indemnified Party unless the Purchasers (or any successor or assignee of the Purchasers) consents to the assertion of the indemnification claim or the exercise of any other remedy.

ARTICLE 8
GENERAL PROVISIONS

Section 8.1 Seller Representative.

(a) By virtue of their execution of this Agreement, each Seller and each Option Holder designates and appoints [***] (the "Seller Representative") as such Seller's or such Option Holder's agent and attorney-in-fact with full power and authority to act for and on behalf of each Seller and each Option Holder to give and receive notices and communications, to accept service of process on behalf of the Sellers and the Option Holders pursuant to Section 7.4 and Section 8.12, to authorize and agree to adjustments to the Initial Purchase Price under Section 2.4 and other applicable provisions of this Agreement, to authorize payments from the Escrow Fund and the separate escrow fund referred to in Section 5.1, to agree to, negotiate, enter into settlements and compromises of, and comply with Judgments of courts or other Governmental Authorities and awards of arbitrators, with respect to, any claims by any Purchaser Indemnified Party against any Seller or Option Holder or by any Seller or Option Holder against any Purchaser Indemnified Party, or any other dispute between any Purchaser Indemnified Party and any Seller or Option Holder, in each case relating to this Agreement or the transactions contemplated by this Agreement and to take all actions that are either (i) necessary or appropriate in the judgment of the Seller Representative for the accomplishment of the foregoing or (ii) specifically mandated by the terms of this Agreement. Notices or communications to or from the Seller Representative constitute notice to or from each of the Sellers and Option Holders for all purposes under this Agreement.

(b) The Seller Representative may delegate its authority as Seller Representative to any one of the Sellers for a fixed or indeterminate period of time upon not less than five business days' prior written notice to the Purchaser in accordance with Section 8.2. In the event of the death or incapacity of the Seller Representative, a successor Seller Representative will be elected promptly by the Sellers whose interests aggregate not less than a majority of the Initial Purchase Price and the Sellers will so notify the Purchaser. Each successor Seller Representative has all of the power, authority, rights and privileges conferred by this Agreement upon the original Seller Representative, and the term "Seller Representative" as used in this Agreement includes any successor Seller Representative.

(c) A decision, act, consent or instruction of the Seller Representative constitutes a decision of all the Sellers and is final, binding and conclusive upon the Sellers, and the Purchasers and any Indemnified Party may rely upon any such decision, act, consent or instruction of the Seller Representative as being the decision, act, consent or instruction of the Sellers. The Purchasers are hereby relieved from any Liability to any Person for any acts done or omissions by the Purchasers in accordance with such decision, act, consent or instruction of the Seller Representative. Without limiting the generality of the foregoing, the Purchasers are entitled to rely, without inquiry, upon any document delivered by the Seller Representative as being genuine and correct and having been duly signed or sent by the Seller Representative. The Purchasers will have no liability to any Seller with respect to any portion of the Purchaser Price the Purchasers pay to the Seller Representative in accordance with this Agreement.

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

(d) The Seller Representative will have no Liability to any Person for any act done or omitted under this Agreement as the Seller Representative while acting in good faith and not in a manner constituting gross negligence or willful misconduct, and any act done or omitted pursuant to the advice of counsel will be conclusive evidence of such good faith. The Sellers will severally indemnify and hold harmless the Seller Representative from and against any Losses the Seller Representative may suffer as a result of any such action or omission.

(e) The Seller Representative will receive no compensation for services as the Seller Representative. The Sellers will reimburse, on a pro rata basis in proportion to their respective portions of the Initial Purchase Price payable as set forth on Schedules A and B, the Seller Representative for professional fees and expenses of any attorney, accountant or other advisors retained by the Seller Representative and other reasonable out-of-pocket expenses incurred by the Seller Representative in connection with the performance of the Seller Representative's duties under this Agreement.

(f) This appointment and grant of power and authority by the Sellers to the Seller Representative pursuant to this Section 8.1 is coupled with an interest, is in consideration of the mutual covenants made in this Agreement, is irrevocable and may not be terminated by the act of any Seller or by operation of Law, whether upon the death or incapacity of any Seller, or by the occurrence of any other event.

Section 8.2 Notices. All notices and other communications under this Agreement must be in writing and are deemed duly delivered when (a) delivered if delivered personally or the next business day after being sent, if sent by nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile with confirmation of transmission by the transmitting equipment (or, the first business day following such transmission if the date of transmission is not a business day) or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested; in each case to the following addresses or facsimile numbers and marked to the attention of the individual (by name or title) designated below (or to such other address, facsimile number or individual as a party may designate by notice to the other parties):

If to the Sellers or the Seller Representative:

Agoda Services Co., Ltd.
999/9 Rama 1 Rd.
Offices at Central World, 27th Floor
Patumwan, Bangkok
10330 Thailand
Attention: Michael Kenny
Fax: +662.646.1224

with a copy (which will not constitute notice) to:

Bryan Cave LLP
1290 Avenue of the Americas
New York, New York 10104
Attention: Robert J. Rawn
Fax: +1.212.541.1431

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

If to the Purchasers:

priceline.com Incorporated
800 Connecticut Avenue
Norwalk, Connecticut 08654
Attention: General Counsel
Fax: +1.203.299.8195

with a copy (which will not constitute notice) to:

Baker & McKenzie, LLP
130 East Randolph Drive
Chicago, Illinois 60601
Attention: David J. Malliband and Christopher M. Bartoli
Fax: +1.312.861.2899

Section 8.3 Amendment. This Agreement may not be amended, supplemented or otherwise modified except in a written document signed by each party to be bound by the amendment and that identifies itself as an amendment to this Agreement. Any amendment of this Agreement signed by the Sellers representing a majority of the outstanding Shares immediately prior to Closing (such calculation of outstanding Shares to assume the effect of conversion of the Convertible Debt and exercise of the Parity Option) is binding upon and effective against each Seller regardless of whether or not such Seller has in fact signed such amendment.

Section 8.4 Waiver and Remedies. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in a written document signed by the other party, (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given, and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

Section 8.5 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto and the documents and instruments referred to in this Agreement that are to be delivered at the Closing) constitutes the entire agreement among the parties and supersedes any prior understandings, agreements or representations by or among the parties, or any of them, written or oral, with respect to the subject matter of this Agreement.

Section 8.6 Assignment and Successors. This Agreement binds and benefits the parties and their respective heirs, executors, administrators, successors and permitted assigns, except that no Seller may assign any rights under this Agreement without the prior written consent of the Purchasers. No party may delegate any performance of its obligations under this Agreement. Notwithstanding the foregoing, the Purchasers may assign this Agreement and their rights and benefits hereunder and may delegate its duties hereunder to one or more of their respective Affiliates; provided, that all of the following conditions are met: (1) such Affiliate or Affiliates will assume all obligations and liabilities so assigned;

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

and (2) each of Priceline US and the Share Purchaser (or the Share Purchaser's successors) remains fully responsible for the performance of the obligations hereunder. Nothing expressed or referred to in this Agreement will be construed to give any Person, other than the parties to this Agreement, any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement except such rights as may inure to a successor or permitted assignee under this Section 8.6.

Section 8.7 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Law, each party to this Agreement hereby waives any provision of law that renders any such provision prohibited or unenforceable in any respect.

Section 8.8 Exhibits and Schedules. The Exhibits and Schedules to this Agreement are incorporated herein by reference and made a part of this Agreement. The Seller Disclosure Schedule and the Purchaser Disclosure Schedule are arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of Article 3 and Article 4, as applicable. The disclosure in any section or paragraph of the Seller Disclosure Schedule or the Purchaser Disclosure Schedule qualifies other sections and paragraphs in this Agreement only to the extent it is reasonably apparent that such disclosure is applicable to such other sections and paragraphs. The listing or inclusion of a copy of a document or other item is not adequate to disclose an exception to any representation or warranty in this Agreement unless the representation or warranty relates to the existence of the document or item itself.

Section 8.9 Interpretation. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no provision of this Agreement will be interpreted for or against any party because that party or its attorney drafted the provision. The parties have had adequate opportunity to receive independent legal advice with respect to the advisability of executing this Agreement, to make such investigation of the facts pertaining to this Agreement and of all matters to which this Agreement refers as he, she or it deems necessary, and to read this Agreement and understand its contents and the parties' respective rights and obligations hereunder.

Section 8.10 Governing Law. Unless any Exhibit or Schedule specifies a different choice of law, the internal laws of the State of New York (without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any other jurisdiction) govern all matters arising out of or relating to this Agreement and its Exhibits and Schedules and all of the transactions it contemplates, including its validity, interpretation, construction, performance and enforcement and any disputes or controversies arising therefrom.

Section 8.11 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. The parties accordingly agree that, in addition to any other remedy to which they are entitled at law or in equity, the parties are entitled to injunctive relief to prevent breaches of this Agreement and otherwise to enforce specifically the provisions of this Agreement. Each party expressly waives any requirement that any other party obtain any bond or provide any indemnity in connection with any action seeking injunctive relief or specific enforcement of the provisions of this Agreement.

Section 8.12 Jurisdiction and Service of Process. Any action or proceeding arising out of or relating to this Agreement or the transactions contemplated by this Agreement must be brought in the courts of the State of New York, County of New York, or, if it has or can acquire jurisdiction, in the

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

United States District Court for the Southern District of New York. Each of the parties knowingly, voluntarily and irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding and waives any objection it may now or hereafter have to venue or to convenience of forum. Any party to this Agreement may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 8.2. Nothing in this Section 8.12, however, affects the right of any party to serve legal process in any other manner permitted by law.

Section 8.13 Waiver of Jury Trial. **EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE ACTIONS OF ANY PARTY TO THIS AGREEMENT IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT.**

Section 8.14 Counterparts. The parties may execute this Agreement in multiple counterparts, each of which constitutes an original as against the party that signed it, and all of which together constitute one agreement. This Agreement is effective upon delivery of one executed counterpart from each party to the other parties. The signatures of all parties need not appear on the same counterpart. The delivery of signed counterparts by facsimile or email transmission that includes a copy of the sending party's signature is as effective as signing and delivering the counterpart in person.

[Signature page follows.]

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

The parties have executed and delivered this Agreement as of the date indicated in the first sentence of this Agreement.

PRICELINE.COM MAURITIUS CO. LTD

By: /s/ Glenn D. Fogel
Name: Glenn D. Fogel
Title: Director

/s/ Michael Kenny
Michael Kenny, in his individual capacity

/s/ James Thomson-Glover
James Thomson-Glover, in his individual capacity

/s/ Wilfred Fan
Wilfred Fan, in his individual capacity

/s/ Ravina Sachdev
Ravina Sachdev, in her individual capacity

/s/ Arjan Van der Meer
Arjan Van der Meer, in his individual capacity

/s/ James Minutello
James Minutello, in his individual capacity

PRICELINE.COM, INCORPORATED

By: /s/ Robert J. Mylod, Jr.
Name: Robert J. Mylod, Jr.
Title: Chief Financial Officer

/s/ Robert Rosenstein
Robert Rosenstein, in his individual capacity

/s/ Joost Doevelaar
Joost Doevelaar, in his individual capacity

/s/ Alan Platt
Alan Platt, in his individual capacity

/s/ Nawee Sribhadung
Nawee Sribhadung, in his individual capacity

/s/ Andreas Weigend
Andreas Weigend, in his individual capacity

/s/ Mark Gross
Mark Gross, in his individual capacity

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

/s/ Nathan Maltz
Nathan Maltz, in his individual capacity

ACCEPTANCE AND AGREEMENT OF SELLER REPRESENTATIVE

The undersigned, being the Seller Representative appointed in Section 8.1 of the foregoing Agreement, agrees to serve as the Seller Representative and to be bound by the terms of the Agreement pertaining to that role.

Date: _____ _____
[***]

[***] = Confidential Treatment requested for redacted portion; redacted portion has been filed separately with the Commission.

Exhibit 12.1

Ratio of Earnings to Fixed Charges

(in thousands)

	2007	2006	2005	2004	2003
Fixed Charges Computation:					
Preferred stock dividend	$ 1,555	$ 1,927	$ 1,854	$ 1,512	$ 1,491
Interest expense	10,412	7,060	5,075	3,722	907
Assumed interest element included in rent expense	1,446	1,278	935	778	735
Total fixed charges and preferredstock dividend	13,413	10,265	7,864	6,012	3,133
Earnings Computation:					
Earnings before income taxes and equity inincome (loss) of investees and minority interests	150,023	65,632	35,703	31,827	9,585
Less:					
Preferred stock dividend	(1,555)	(1,927)	(1,854)	(1,512)	(1,491)
Minority interests	(6,083)	(2,824)	(816)	(114)	—
Add:					
Fixed charges	13,413	10,265	7,864	6,012	3,133
Earnings as adjusted	$ 155,798	$ 71,146	$ 40,897	$ 36,213	$ 11,227
Ratio of earning to fixed charges	13.1x	8.5x	6.8x	8.0x	6.8x
Ratio of earnings to fixed charges and preferredstock dividend	11.6x	6.9x	5.2x	6.0x	3.6x

Exhibit 21

LIST OF SUBSIDIARIES
AS OF DECEMBER 31, 2007

Name	Jurisdiction of Incorporation	Percent ownership if less than 100%
1. Priceline.com Europe Holdco, Inc.	Delaware	
2. Priceline.com Holdco U.K. Limited	United Kingdom	
3. priceline.com International Ltd.	United Kingdom	96.7%
6. Booking.com Limited	United Kingdom	96.7%
7. Booking.com B.V.	The Netherlands	96.7%
8. Agoda Company Ltd.	Mauritius	
9. AGIP LLC	Delaware	
10. Lowestfare.com LLC	Delaware	
11. Travelweb LLC	Delaware	
12. AllPrice Holdings, Inc.	Delaware	

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-122414, 333-65054, 333-55578, 333-83233 on form S-8 and Nos. 333-119274, 333-109929, 333-115128, 333-139590 and 333-139109 on form S-3 of our report dated March 2, 2008, relating to the financial statements of priceline.com Incorporated and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* and includes an explanatory paragraph relating to the restatement discussed in Note 21 to the consolidated financial statements) 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, 2007.

/s/ Deloitte & Touche LLP

Stamford, Connecticut

March 2, 2008

Exhibit 31.1

CERTIFICATIONS

I, Jeffery H. Boyd, certify that:

1. I have reviewed the Annual Report on Form 10-K of priceline.com Incorporated (the "Registrant") for the year ended December 31, 2007;

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: March 3, 2008

/s/ Jeffery H. Boyd
Name: Jeffery H. Boyd
Title: President & Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Robert J. Mylod Jr., certify that:

1. I have reviewed the Annual Report on Form 10-K of priceline.com Incorporated (the "Registrant") for the year ended December 31, 2007;

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: March 3, 2008

/s/ Robert J. Mylod Jr.
Name: Robert J. Mylod Jr.
Title: Chief Financial Officer

Exhibit 32.1

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 priceline.com Incorporated, 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, 2007 (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.

Dated: March 3, 2008

/s/ Jeffery H. Boyd
Name: Jeffery H. Boyd
Title: President & 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.

Exhibit 32.2

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 priceline.com Incorporated, 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, 2007 (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.

Dated: March 3, 2008

/s/ Robert J. Mylod Jr.
Name: Robert J. Mylod Jr.
Title: Chief Financial 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.