



## **EXPEDIA, INC. FINANCIAL RESULTS RELEASE GLOSSARY OF BUSINESS AND FINANCIAL DEFINITIONS**

### ***Business Definitions***

Agency transactions – Primarily relate to airline ticket bookings, for which revenues are generally recognized at the time the reservation is booked. Agency transactions also include hotel bookings on our various websites, for which revenue is recognized at the time of the hotel stay.

Egencia – Reportable segment that provides managed travel services to corporate customers in North America, Europe, and the Asia Pacific region.

Gross Bookings – Total retail value of transactions booked for both agency and merchant transactions, recorded at the time of booking. Bookings include the total price due for travel, including taxes, fees and other charges, and are generally reduced for cancellations and refunds.

Leisure – Reportable segment that reflects results for full range of travel and advertising services to our worldwide customers through a variety of brands including: Expedia.com, Hotels.com, Hotwire.com; Expedia Affiliate Network, Classic Vacations, Expedia Local Expert, Expedia CruiseShipCenters, eLong, Venere<sup>®</sup> Net SpA and trivago GmbH; in addition to the related international points of sale.

Merchant transactions – Primarily relate to hotel bookings. These transactions typically produce a higher level of net revenue per transaction than our agency model. Revenues are generally recognized when the customer uses the travel product or service.

### ***Financial Statement Definitions***

Accounts payable, merchant – Consist of amounts billed from suppliers subsequent to the customer's use of services. For merchant hotel bookings there is a significant period of time between the receipt of cash from our travelers and the payment to suppliers.

Accounts receivable – Includes receivables from credit card agencies primarily related to our merchant hotel business, receivables related to agency transactions (principally from airlines and global distribution systems), receivables from advertising clients and receivables related to our managed corporate travel businesses.

Accrued expenses – Principally relate to accruals for the costs of our call center and internet services, accruals for bonus, salary and wage liabilities, a reserve related to the potential settlement of occupancy and other tax issues, income taxes payable, loyalty program accruals and accrued interest on our various debt instruments.

Cost of revenue (non-GAAP) – Primarily consists of costs related to: (1) customer operations, including our customer support and telesales, as well as fees to air ticket fulfillment vendors; (2) credit card processing, including merchant fees, charge backs and fraud, and (3) other costs, primarily including data center costs to support our websites and destination supply.

Deferred merchant bookings – Consist of amounts received from travelers who have not yet traveled. Fluctuations in the balance generally mirror the seasonal pattern of our merchant gross bookings. Payments to suppliers related to these bookings are generally made within a few weeks after booking for air travel and, for all other merchant bookings, after the customer's use of services and subsequent billing from the supplier. These billings are reflected as accounts payable, merchant on our balance sheet.

Deferred revenue – Relates to cash received for certain travel and advertising services for which revenue has not yet been recognized.

General and administrative expense (non-GAAP) – Primarily relates to personnel-related costs, including our executive leadership, finance, legal, and human resources functions, as well as fees for professional services that typically relate to legal, tax and accounting, and other costs.

Goodwill – Primarily relates to the acquisitions of Hotels.com, Expedia.com and Hotwire.

Intangible assets, net – Primarily relate to the acquisitions of Hotels.com, Expedia.com, Hotwire and trivago.

Long-term investments and other assets – Includes transportation equipment, debt and equity investments, time deposits and capitalized debt issuance costs.

Noncontrolling interest – Relates primarily to a majority ownership position in eLong, Inc., results for which are consolidated for all periods presented. Noncontrolling interest that is redeemable at the option of the minority holders, including trivago's minority interest since our majority ownership acquisition in March 2013, is classified as redeemable noncontrolling interest on our balance sheet.

Other, net – Relates to foreign exchange gains and losses as well as our portion of gains or losses in equity investments.

Other long-term liabilities – Consist primarily of uncertain tax positions recorded according to income tax accounting standards.

Prepaid expenses and other current assets – Primarily composed of prepaid marketing, merchant fees, license and maintenance agreements and insurance.

Selling and marketing expense (non-GAAP) – Primarily relates to direct costs, including traffic generation costs from search engines and internet portals, television, radio and print spending, private label and affiliate program commissions, public relations and other costs.

Stock-based compensation expense – Primarily comprised of expenses from stock options and restricted stock units ("RSUs"). In 2009, we began using stock options as our primary form of annual stock-based compensation.

Technology and content expense (non-GAAP) – Primarily relates to personnel and overhead, depreciation and amortization of technology assets including hardware, and purchased and internally developed software, and other costs including licensing and maintenance expense.