**Business Definitions**

**Agency bookings** – Primarily relate to airline ticket bookings, for which the customer is charged by the airline, usually at the time of the booking, and revenue is generally recognized at the same time. Agency bookings also include various hotel bookings such as: 1) Hotel Collect bookings made as part of our Expedia Traveler Preference Program; as well as 2) bookings made via third-party distribution systems. In the case of agency hotel bookings, the customer is charged by the hotel, usually at the time of booking, and revenue is recognized at the time of the hotel stay.

**Brand Expedia** – Our Expedia-branded websites, including Expedia.com in the United States, make a large variety of travel products and services available directly to travelers through full-service websites in 31 countries across the globe.

**Core OTA** – Our Core Online Travel Companies reportable segment that provides a full range of travel and advertising services to our worldwide customers through a variety of brands including: Expedia.com, Hotels.com, Expedia Affiliate Network, Hotwire.com, Travelocity, Venere® Net SpA, Wotif Group, CarRentals.com, Classic Vacations, Expedia Local Expert and Expedia CruiseShipCenters, in addition to the related international points of sale.

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

**eLong** – Previously reportable segment consisting of our former majority ownership interest in eLong, Inc. and including results through the sale of our ownership stake in eLong on May 22, 2015.

**Expedia Traveler Preference (ETP) Program** – Designed to better serve travelers by offering them the choice to pay either at the time of booking or upon checkout at the hotel directly.

**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.

**Merchant bookings** – Primarily relate to hotel bookings. These bookings typically produce a higher level of net revenue per transaction than our agency model. In merchant bookings, such as Expedia Collect bookings made as part of our Expedia Traveler Preference Program, the customer is charged by Expedia at the time of booking and revenues are generally recognized when the customer uses the travel product or service.

**trivago** – Reportable segment that generates advertising revenue primarily from sending referrals to online travel companies and travel service providers from its localized hotel metasearch websites.
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.

Adjusted 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, chargebacks and fraud, and (3) other costs, primarily including data center costs to support our websites, supplier operations and destination supply. Excludes eLong due to Expedia’s sale of its eLong ownership stake on May 22, 2015.

Adjusted 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. Excludes eLong due to Expedia’s sale of its eLong ownership stake on May 22, 2015.

Adjusted 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. The remainder of the expense relates to indirect costs, including personnel and related overhead in our various Leisure brands, global supply organization and Egencia. Excludes eLong due to Expedia’s sale of its eLong ownership stake on May 22, 2015.

Adjusted technology and content expense (non-GAAP) – Primarily relates to personnel, overhead and other costs including licensing and maintenance expense. Excludes eLong due to Expedia’s sale of its eLong ownership stake on May 22, 2015.

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.

Depreciation expense – Primarily consists of depreciation and amortization of technology assets including hardware and purchased and internally developed software.

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.

Non-redeemable noncontrolling interest – Relates primarily to majority ownership position in AirAsia Expedia, results for which are consolidated for all periods presented.

Other, net – Relates to foreign exchange gains and losses, our portion of gains or losses in equity investments and other non-operating income (expense) items.

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.

Redeemable noncontrolling interest – 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.

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.