



**2013 Annual Report
and
Notice of 2014 Annual Meeting and
Proxy Statement**



April 2014

Dear Shareholders:

In 2013, we continued to strengthen our leadership position in travel in pursuit of our company mission: to help travelers around the world plan and have the perfect trip.

Helping us achieve this mission were the loyal members of our community, who contributed a remarkable 50 million reviews and opinions to the site during the year. We now have more than 150 million traveler reviews and opinions on more than 4 million places to stay, eat, and visit throughout the world. Our rich and helpful content attracts a massive audience every month; we had more than two billion visitors to TripAdvisor sites during 2013 and more than a quarter of a billion average monthly visitors during the third quarter alone.

While we are pleased with our tremendous growth in our content and our travel community, these were just two of many achievements in 2013 as we focused on improving the TripAdvisor experience for users and advertising partners alike.

Reducing Friction Led to Big Wins in 2013

As previewed in last year's shareholder letter, we introduced "metasearch" on our hotel pages, a feature that allows hotel shoppers to easily compare prices and availability without opening pop-up browser windows. Today, users can read reviews, view candid photos, and compare prices from hundreds of travel partners – and they can do all of this within the TripAdvisor experience on any device. Transitioning to metasearch may sound like a small change, but in fact this was the most transformative usability improvement in our company's history. And while the financial impact proved to be choppier than we had originally expected, users clearly prefer this improved hotel shopping experience. In turn, this is driving even higher-quality leads to our advertising partners in our core click-based business.

The metasearch initiative was just one example of our dedication to removing friction throughout the planning, booking, and sharing process. In our fast-growing mobile platform, we redesigned our tablet and smartphone apps with larger and more immersive photos, making it easier for travelers to find the hotel, restaurant, or attraction they are looking for. On the phone, we introduced new native apps for Android and iPhone that are delivering fast performance through better product design. We also added Facebook friend content to mobile web and native app in order to drive a more engaging and personalized trip-planning experience. Users are loving these enhancements as evidenced by the continued strong adoption of our top-ranked mobile products: tablet and smartphone's share of total traffic nearly doubled to 40%, and app downloads grew nearly 150% to 82 million. Mobile product innovation and growth remain a top priority.

Reducing friction to drive growth was a theme throughout our business. For example:

- Our Display business was a star performer in 2013, driven by TripAdvisor's increasing global traffic and brand, strong sales execution, and our Delayed Ad Call innovation. An industry first, Delayed Ad Call ensures an advertiser is charged only when its display ad comes into a user's view.
- We shifted our Vacation Rentals business to a Free-to-List model reduced friction for more property owners to work with TripAdvisor. By removing advertising partners' upfront marketing costs, we improved listing quantity and, more importantly, listing *quality* for our users.
- We introduced TripConnect, a platform that opens up a wonderfully large customer segment for our click-based ad product. Over the coming years, we aim to deepen relationships with hundreds of thousands of independent hotels, inns and B&Bs, enabling them to bid for our high-quality hotel shopper leads.



- In Business Listings, we implemented a value-based pricing structure so that more hotels can promote their brand with confidence on the TripAdvisor platform.

All our hard work amounted to strong revenue growth and healthy profitability. Full year total revenue increased 24% to \$945 million. Adjusted EBITDA of \$379 million was up 7% compared to 2012. Cash flow from operations rose 46% to \$350 million and free cash flow grew 40% to \$294 million, or \$2.02 per share. Also, in keeping with our charitable foundation charter, we were pleased to be able to donate \$2.6 million of our company earnings to 33 different non-profit organizations around the globe.

Further Enhancing the TripAdvisor Experience in 2014

These 2013 achievements provide a strong foundation for our 2014 goals. While TripAdvisor addresses the major phases of the travel cycle – from inspiring, to researching and booking, to exploring a destination, and finally, to sharing experiences post-trip – we know that there is a lot more we can do to make each phase of this cycle simpler and more engaging for every user, on every device, in every geography.

To that end, on the heels of our successful metasearch rollout last year, we are introducing an “Instant Booking” feature on smartphone, allowing shoppers to complete their hotel reservation on the TripAdvisor platform. Like metasearch, we believe this feature will benefit our users and our partners: users get an easy, one-stop hotel shopping experience and partners should enjoy more bookings and, therefore, more profit. Instant Booking is an important advance in delivering the most comprehensive hotel shopper value proposition to users, and we are excited about the value it could bring to our long-term competitive positioning and financial prospects.

Mobile is a major channel for travel and we are well positioned to capture market opportunities that extend well beyond the hotel booking. Accordingly, we continue to invest in building the world’s best mobile travel experience, complete with more personalized recommendations, more listings, better maps, bigger photos, and enhanced features such as offline availability. Whether a user is trip-planning or trip-taking, we want them to look to TripAdvisor as their favorite travel companion, the one who helps them explore and enjoy any destination in the world. Our unique understanding of travelers throughout all phases of the travel cycle gives us a distinct advantage in this area.

Words We Live By

The handwritten “Speed Wins” sign that hangs on my office door continues to set the pace in every department. With our incredible scale and depth of content, it could be easy to get complacent, thinking that what we have built is good enough for the long haul. But as we navigate an ever-changing landscape of macroeconomic challenges, increasing competition, and evolving consumer needs, we need to stay laser-focused on innovating at speed and driving continuous improvement in the travel-planning experience. We will continue to make the necessary investments, decisions, and trade-offs to enhance our long-term growth prospects, efficiently grow our community, and drive more benefit to our users and our partners, even if it is at the expense of near-term profitability.

These days, employees see a newer sign on my door that reads “if it’s worth doing, it’s worth measuring.” To be sure, all 2014 initiatives will be measured – and measured scrupulously. But value creation from these initiatives does not lie in their expected impact to our financial results over the next few weeks, months, or quarters. Rather these are the building blocks of continued, sustainable long-term growth. Some will prove effective, and we will increase investment; some won’t pan out, and we’ll move on. Either way, we’ll continue to learn and test, fail often, then learn and test some more. I am very fortunate to be surrounded by bright, creative, driven individuals who share my passion to build a bigger and better business for the long-term.



In closing, 2013 was a year of many accomplishments but we are more excited about the opportunities in front of us. I would like to thank TripAdvisor's users, partners, employees and shareholders for their continued support.

Happy travels,

A handwritten signature in black ink that reads "Stephen Kaufer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen Kaufer
Co-founder, President and Chief Executive Officer
TripAdvisor, Inc.



2013 Annual Report on Form 10-K

**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, 2013

OR

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

For the transition period from _____ to _____
Commission file number: 001-35362

TRIPADVISOR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

80-0743202
(I.R.S. Employer
Identification No.)

141 Needham Street
Newton, MA 02464

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:
(617) 670-6300

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Name of each exchange on which registered:</u>
Common Stock, \$0.001 par value	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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$6,817,578,784 based on the closing price on NASDAQ on such date. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

<u>Class</u>	<u>Outstanding Shares at February 6, 2014</u>
Common Stock, \$0.001 par value per share	129,432,796 shares
Class B Common Stock, \$0.001 par value per share	12,799,999 shares

Documents Incorporated by Reference

The registrant intends to file a proxy statement pursuant to Regulation 14A not later than 120 days after the close of the fiscal year ended December 31, 2013. Portions of such proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

	<u>Page</u>
PART I	3
Item 1. Business	3
Item 1A. Risk Factors	16
Item 1B. Unresolved Staff Comments	33
Item 2. Properties	33
Item 3. Legal Proceedings	33
Item 4. Mine Safety Disclosures	33
PART II	34
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6. Selected Financial Data	37
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations ...	39
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	62
Item 8. Financial Statements and Supplementary Data	65
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ...	111
Item 9A. Controls and Procedures	111
Item 9B. Other Information	113
PART III	113
Item 10. Directors, Executive Officers and Corporate Governance	113
Item 11. Executive Compensation	113
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	113
Item 13. Certain Relationships and Related Transactions, and Director Independence	113
Item 14. Principal Accounting Fees and Services	113
PART IV	114
Item 15. Exhibits; Financial Statement Schedules	114
SIGNATURES	115

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, principally, but not only, in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management’s beliefs and on assumptions made by, and information currently available to, management. When used, the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “result” “should,” “will,” and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those anticipated, estimated or projected by the forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- If we are unable to continue to increase visitors to our websites and to cost-effectively convert these visitors into repeat users or contributors, our advertising revenue could decline.
- Declines or disruptions in the travel industry, as a result of global economic conditions or otherwise, could adversely affect our businesses and financial performance.
- As we derive substantially all of our revenue from advertising, any significant reduction in spending by advertisers could harm our business.
- As we rely on a relatively small number of significant advertisers, including Expedia and Priceline (and their subsidiaries), any reduction in spending by or loss of those advertisers could seriously harm our business.
- Growth in the use of TripAdvisor through smartphones as a substitute for use on personal computers and tablets may negatively affect our revenue and financial results.
- We rely on the value of our brand and consumer trust in our brand, and the costs of maintaining and enhancing brand awareness, including through social and traditional media, are increasing.
- We face competition from companies and websites that collect travel-related content, which could divert traffic from our websites causing financial harm to us.
- Some of our customers, including some of our click-based advertising partners, are also our competitors, and the consolidation of our competitors and our partners may affect our competitiveness and partner relationships.
- We are dependent upon the quality of traffic in our network to provide value to advertisers, and any failure in quality control could have a material adverse effect on the value of our websites to our advertisers and adversely affect our revenue.

The risks set forth above are not exhaustive. Please refer to the section entitled “Part I, Item 1A. Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess

the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the Securities and Exchange Commission, or the SEC, and to other materials we may furnish to the public from time to time through Form 8-Ks or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements. We expressly disclaim any responsibility to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events, or otherwise, and you should not rely upon these forward-looking statements after the date of this report.

PART I

Item 1. Business

Overview

TripAdvisor is the world's largest online travel company. Our mission is to help people around the world plan and have the perfect trip by giving them access to the reviews and opinions of the millions of travelers who make up our global online community. TripAdvisor aggregates reviews and opinions about destinations, accommodations (including hotels, B&Bs, specialty lodging and vacation rentals), restaurants and activities throughout the world. Our platform also enables consumers to book hotels, vacation rentals, airline tickets, vacation packages, destination services and even cruises.

TripAdvisor was co-founded in February 2000 by Stephen Kaufer, our current President and Chief Executive Officer. TripAdvisor was acquired by IAC/InterActiveCorp, or IAC, in April 2004. In August 2005, IAC spun-off its portfolio of travel brands, including TripAdvisor, into a separate newly-formed Delaware corporation, called Expedia, Inc., or Expedia. On December 20, 2011, Expedia completed the spin-off of TripAdvisor into a separate publicly traded Delaware corporation.

2013 Highlights

Following are some business highlights for fiscal 2013:

- We introduced hotel metasearch functionality on our TripAdvisor-branded websites to provide consumers with real-time online hotel availability and pricing information from multiple sources without requiring the user to visit another website.
- We launched points of sale in Venezuela, Peru, Chile, and Columbia, bringing our total TripAdvisor-branded websites to 34, which includes tripadvisor.com in the United States and daodao.com in China.
- We completed six acquisitions during 2013: TinyPost, the developer of a product that enables users to embed text over photos and turn them into stories; Jetsetter, a members-only private sale site for hotel bookings; CruiseWise, a cruise research and planning site; Niumba, a Spain-based vacation rental site; GateGuru, a mobile app with flight and airport information around the world; and Oyster, a hotel review website featuring expert reviews and photos covering approximately 150 cities.
- We now manage and operate 20 travel media brands in addition to our flagship TripAdvisor brand, all of which are connected by the common goal of providing comprehensive travel planning resources across the travel sector.
- Our websites globally reached more than 260 million monthly unique visitors during the year ended December 31, 2013, according to Google Analytics. At approximately 11% of the world's monthly unique visitors in online travel, TripAdvisor remains the largest travel website in the world at December 31, 2013 according to comScore Media Metrix.
- Cumulative downloads of TripAdvisor's apps—including TripAdvisor, City Guides, SeatGuru, Jetsetter and GateGuru—reached 82 million and average monthly unique visitors via smartphone and tablet devices grew over 170% year-over-year to approximately 87 million for the year ended December 31, 2013, according to company logs.
- We feature over 125 million reviews and opinions on more than 775,000 hotels and accommodations and approximately 550,000 vacation rentals—as well as more than 2 million restaurants and 400,000 attractions in 139,000 destinations throughout the world.
- We entered into an agreement with Samsung to pre-install TripAdvisor's market-leading mobile application onto the new Samsung GALAXY S4. In addition to pre-installing TripAdvisor's industry-leading app, Samsung is using TripAdvisor's user content to power its Travel Widget, Lock Screen Slideshow and City Information in Samsung Story Album.

- We launched our first-ever major onsite affinity partnership with American Express in multiple key markets as well as an innovative digital travel magazine created in partnership with Axel Springer, a leading integrated multimedia company in Europe.
- We released new technology and product initiatives such as native apps on iOS and Android; TripConnect, a platform that enables independent hoteliers to purchase leads from TripAdvisor and Delayed Ad Call functionality for our Display-based advertising product, a first for the travel advertising industry, which charges customers only when the ad unit is in a users' view.

Our Flagship TripAdvisor-Branded Websites

Since the initial launch of the U.S.-based tripadvisor.com website in November 2000, TripAdvisor-branded websites have been added in the following locations in the languages described below:

<u>Website</u>	<u>Target Location</u>	<u>Language</u>	<u>Launch Date</u>
tripadvisor.com.ve	Venezuela	Spanish	September 2013
tripadvisor.com.pe	Peru	Spanish	September 2013
tripadvisor.cl	Chile	Spanish	September 2013
tripadvisor.co	Columbia	Spanish	September 2013
tripadvisor.com.eg	Egypt	Arabic	June 2011
tripadvisor.com.my	Malaysia	English	March 2011
tripadvisor.tw	Taiwan	Chinese (Traditional)	February 2011
tripadvisor.com.ar	Argentina	Spanish	December 2010
tripadvisor.co.id	Indonesia	Bahasa	November 2010
tripadvisor.gr	Greece	Greek	October 2010
tripadvisor.ru	Russia	Russian	October 2010
th.tripadvisor.com	Thailand	Thai	August 2010
tripadvisor.co.kr	South Korea	Korean	August 2010
tripadvisor.com.sg	Singapore	English	August 2010
pl.tripadvisor.com	Poland	Polish	March 2010
no.tripadvisor.com	Norway	Norwegian	March 2010
tripadvisor.com.au	Australia	English	March 2010
tripadvisor.com.tr	Turkey	Turkish	December 2009
tripadvisor.com.mx	Mexico	Spanish	December 2009
tripadvisor.dk	Denmark	Danish	December 2009
tripadvisor.ca	Canada	English	August 2009
tripadvisor.se	Sweden	Swedish	April 2009
tripadvisor.nl	Netherlands	Dutch	April 2009
daodao.com	China	Chinese (Simplified)	April 2009
tripadvisor.com.br	Brazil	Portuguese	April 2009
tripadvisor.jp	Japan	Japanese	October 2008
tripadvisor.in	India	English	August 2008
tripadvisor.es	Spain	Spanish	January 2006
tripadvisor.it	Italy	Italian	January 2006
tripadvisor.de	Germany	German	January 2006
tripadvisor.fr	France	French	January 2006
tripadvisor.co.uk	United Kingdom	English	November 2005
tripadvisor.ie	Ireland	English	November 2005

Other Travel Brands and Websites

In addition to the flagship TripAdvisor-branded websites, we have also acquired and launched numerous other travel brands, all of which are connected by the common goal of providing travelers with valuable resources across the travel sector, including resources for planning your trip as well as making the appropriate booking arrangements. These brands have expanded our reach, product breadth and appeal to domestic and international advertisers.

Brands acquired include:

<u>Website</u>	<u>Date Acquired</u>	<u>Key Focus</u>
oyster.com	October 2013	Hotel review website featuring expert reviews and photos covering about 150 cities.
gateguru.com	June 2013	Mobile resource for up-to-date flight and airport information around the world.
niumba.com	May 2013	A Spanish-based vacation rental site, featuring properties listed globally and the world's largest collection of Spanish vacation rentals.
jetsetter.com	April 2013	Members-only private sale site providing insider access, expert knowledge and exclusive deals for vacations around the world.
everytrail.com	February 2011	Mobile application and website for collecting and sharing geo-tagged user-generated travel content, such as walking tours, road trips, sight-seeing tours and sailing trips.
holidaylettings.co.uk	June 2010	A leading U.K.-based vacation rental site, featuring residential properties globally listed for rental, enabling users to live like a local while on holiday.
kuxun.cn	October 2009	Travel metasearch engine, much like TripAdvisor, operating in China.
flipkey.com	August 2008	A vacation rental website featuring a large collection of vacation rental guest reviews on residential properties listed for vacation rental around the world.
onetime.com	June 2008	Comparison shopping travel website that allows travel shoppers to conduct itinerary-based, multi-site searches for flights, hotels, cruises, vacations, and car rentals.
virtualtourist.com	June 2008	Travel-oriented community website featuring user-contributed travel guides for locations worldwide.
airfarewatchdog.com	March 2008	Provides up-to-date airline deals that have been researched and verified by a team of dedicated airfare experts.
holidaywatchdog.com	January 2008	U.K.-based website for traveler reviews on hotels and destinations focusing on the Mediterranean.
cruise critic.com	May 2007	A community of avid and first-time cruisers who enjoy the fun of planning, researching and sharing their passion for cruising. Cruise Critic offers objective cruise reviews written by expert travel writers and members.
independenttraveler.com	May 2007	A traveler's exchange that features practical travel resources for a community of international travelers who enjoy the adventure of independent travel.
seatguru.com	March 2007	Features aircraft seat maps, seat reviews, and a color-coded system to identify superior and substandard airline seats.
bookingbuddy.com	February 2007	Travel shopping website that gives travelers easy access to airfare, hotel, car rental, cruise, vacation rental, and vacation deals, plus prices from selected travel sites.

<u>Website</u>	<u>Date Acquired</u>	<u>Key Focus</u>
smartertravel.com	February 2007	One of the largest online travel resources for independent expert advice for the budget-conscious traveler. The SmarterTravel editorial staff provides advice and analysis to help travelers find the best deals and get the most value from their trips.
travelpod.com	December 2006	Pioneering travel blog website.

Brands developed internally and launched include:

<u>Website</u>	<u>Date Launched</u>	<u>Key Focus</u>
tingo.com	March 2012	The first hotel booking site that automatically rebooks hotel rooms at a lower price if the rate drops and automatically refunds the difference to the travelers' credit cards.
familyvacationcritic.com	June 2009	Reviews of family-friendly hotels, resorts, destinations and attractions, written by experienced family travel experts.

Additional brands which are no longer being developed are as follows:

<u>Website</u>	<u>Date Acquired/ Launched</u>	<u>Key Focus</u>
cruisewise.com	May 2013	A cruise research and planning site. This business was successfully integrated into our Cruise Critic travel brand during 2013.
tinypost.co	March 2013	The developer of a product that enabled users to write over photos and turn them into stories.
whereivebeen.com	July 2011	Website and social platform with a detailed interactive world map that let users share where they have been, lived, and want to go. This website is no longer operating.
sniqueaway.com	September 2010	U.S.-based members-only flash sale website, developed internally, which provided exclusive limited time access to deals on top hotels at deep discounts. The functionality of this site was successfully integrated into our Jetsetter travel brand during 2013.
travel-library.com	September 2006	Travel website with user-generated reviews.

Our Industry

We operate in the online advertising sector of the global travel industry. As a result, we are impacted by trends in the global travel industry, the online travel market and online advertising.

Global Travel Industry

According to the PhoCusWright, gross bookings in the global travel industry are expected to be greater than \$1.3 trillion in 2014. Recent historical trends show that, each year, an increasing percentage of global travel spending has been conducted online through supplier websites and online travel agencies. We believe that this trend will continue as online penetration continues to grow, as more consumers gain broadband access to the Internet, as smartphone, tablets and other mobile computing devices continue to proliferate, and as travel activity increases along with an expanding middle class in certain developing countries like China and India.

Online Travel Market

According to the International Data Corporation, or IDC, New Media Market Model, only 26% of the approximately \$51 billion that is expected to be spent on travel advertising will be spent online in 2016. We believe that the Internet will continue to become even more integral to the travel-planning process due to

increasing worldwide online penetration, particularly given the capabilities that the Internet provides travelers, including the ability to refine searches, compare destinations and view real-time pricing.

Online Advertising

According to the IDC New Media Market Model, the global online advertising market is growing and is projected to exceed \$165 billion by 2016, as more and more advertisers continue to shift their spending from offline to online channels, mirroring the trend in consumer media consumption generally. Given the size of the online advertising market, we believe that travel providers and travel related advertisers are, and will continue to be, motivated to devote significant resources to advertise their travel products and services. In addition, as more and more travel transactions are conducted online generally, we believe that an increasing amount of travel advertising spending will migrate from traditional offline advertising channels to online advertising opportunities.

Our Key Strengths

Prior to 2000, travel research and planning was largely conducted with the assistance and guidance of a personal travel agent or advice from friends and family. Consumers had no single resource to access recent and comprehensive destination, lodging, restaurant and attraction feedback and information. We were founded with the goal of providing an online resource based on user-generated content to prospective travelers. We have democratized the travel research and planning process by using the power of the Internet to create transparency in the travel planning process with a comprehensive online resource for travel information. We provide the ability and information to plan and have the perfect trip for any customer with access to the Internet, whether through their desktop, smartphone or tablet devices.

In order to achieve our goals, we leverage our key assets—a robust travel community, rich user-generated content, continuous technological innovation and global reach—as follows:

- ***Robust Travel Community.*** We believe that we have the largest breadth of content in our markets, and that, because of this breadth, travelers gravitate to TripAdvisor-branded websites to research their travel plans. By providing an interactive forum to share travel experiences, we allow the voice of our large and highly engaged community of travelers to influence decision-making during the travel planning phase. To facilitate planning, we enable consumers to research pricing and availability from third-party travel booking sites. To encourage better travel experiences for consumers and to create a feedback loop between the hospitality industry and individual travelers, we allow hospitality management representatives to respond to reviews of their properties on our website. After completing their trip, consumers can return to our websites to write reviews to give back to the community that helped them plan their trip. Through this cycle, more content is generated, which drives community, traffic, loyalty and higher search engine rankings, all of which lead to further content creation. We believe that the volume of reviews generated on TripAdvisor-branded websites and the robust feedback loop created on TripAdvisor-branded websites provides us with a significant advantage over our competitors.
- ***Rich User-Generated Content.*** We believe that the best travel content comes from the wisdom and insight of a robust community of travelers. We leverage user-generated content to power travel planning by allowing members to create reviews and share opinions on hundreds of thousands of accommodations, destinations, attractions and restaurants. As evidenced by the growth of our business, this type of travel planning has been embraced by travelers. To promote an enthusiastic reviewer community and brand affiliation, we have launched several programs to recognize reviewer contributions, including site badges, helpful vote recognition, and other community-focused features, all of which highlight the current and helpful reviews and opinions available throughout the TripAdvisor community and promote brand affiliation.

- **Technology and Innovation.** We focus heavily on speed-to-market and product innovation in order to create a richer experience for travelers, and our team deploys weekly engineering releases with new products and features. Some recent examples of this product innovation include: our development and launch of hotel metasearch functionality, which makes it even easier for users to research and plan their perfect trip on TripAdvisor; TripConnect, a platform that enables independent hoteliers to purchase leads from TripAdvisor; the release of new native mobile apps on iOS and Android; and a roll out of a major iPad app refresh. We are also continuing to invest heavily in the rapidly growing mobile channel by providing 80 mobile city guides of the most popular cities globally, adding menus to restaurant pages, displaying bookable tickets to attractions pages, releasing hotel pricing and availability improvements, and integrating Facebook login into our industry-leading mobile websites as well as tablet and smartphone applications that are currently available in 21 languages. Our ongoing commitment to innovation also extends to content syndication and review collection partnerships, as we leverage our technology and content for the benefit of other websites. In addition, we expend significant effort with respect to manual and electronic fraud detection in order to maintain the quality and authenticity of user reviews, and have clear posting guidelines for user content submission.
- **Global Reach.** We are a global company, both through the reach of our portfolio of branded websites and through our in-market staffing in fifteen countries. As of December 31, 2013, we had TripAdvisor branded websites in 34 countries and 21 languages, including a local language website in China under the brand daodao.com. We have over 300 million review translations, and are committed to continuing to improve the in-country user experience and the local content coverage for all of our points-of-sale. As of December 31, 2013, we had approximately 871 employees based outside of the United States. We believe that the universally-relevant content and community of our core TripAdvisor platform and other brands uniquely position us to appeal to travelers throughout the world.

Our Strategy

To expand our global reach, we leverage significant investments in technology, operations, brand-building, and relationships with advertisers and other partners. These investments have enabled us to, among other things, aggregate a large base of consumer reviews, in a variety of languages, across our global platform of TripAdvisor-branded websites. We plan to continue leveraging these investments through the following:

- **Investing in Technology.** We believe that our ability to continue to innovate by providing additional functionality to our main Internet sites, while at the same time continuing to extend that functionality to additional platforms such as smartphones and tablets, will enable us to continue providing an industry-leading user experience. We have a strong culture of speed-to-market with our innovations. By innovating and releasing updates quickly, we believe that we can continue to grow our site visitors, reviews and opinions, increase revenue and effectively compete with our competitors.
- **Expanding Our Social and Personalization Platform.** In addition to member acquisition efforts on social media channels, including Facebook, Twitter and other social sharing platforms, we intend to continue to expand our social integration and personalization efforts. We believe these initiatives will enable us to continue to grow and maintain engagement with our user base and increase our content. To date, we have leveraged Facebook Connect to allow users to share their reviews and ratings with their friends and publish their travel activity to their timelines on Facebook. We are increasingly able to offer personalized recommendations to users based on friend's reviews and ratings as well as information collected about a user's preferences in selecting hotels.
- **Improving the Hotel Shopper Experience.** We continue to invest in user experience enhancements that improve the hotel shopping experience. We have offered a flight metasearch product that displays availability and pricing information from multiple sources since 2009, expanding internationally to 19 points of sale in 2012 and increasing to 29 points of sale as of December 31, 2013. In 2012, we introduced hotel metasearch to our global smartphone traffic and in June 2013, we completed the process of fully implementing hotel metasearch functionality onto our desktop and tablet platforms. In addition to

metasearch, we continue to offer and improve features such as user reviews, photos, mapping, and filtering to assist users in finding the right hotel for their trip.

- ***Investing in Traffic Growth.*** Attracting more visitors to our sites is at the core of our strategic plan and we dedicate significant time and financial resources towards amplifying our global brand. We do this through online and offline marketing channels to maximize the number of users who navigate to our site either directly, also known as domain direct traffic, or from the marketing channel directly. Offline advertising channels we have used in the past to amplify our brands include: permanent branding campaigns such as TripAdvisor-branded travel awards, certificates, stickers and badges and television advertising. Online advertising channels we have used in the past to amplify our brand include, but are not limited to: customer relationship management email campaigns, or CRM; social networks; organic search through search engine optimization, or SEO; paid search through search engine marketing, or SEM; and referrals from partners whose sites contain links to TripAdvisor content, badges or widgets. At approximately 11% of global online travel uniques, according to comScore Media Metrix, we believe that we have a large opportunity to continue growing visitors. In order to achieve this objective, we intend to invest in the aforementioned channels, as well as any new channels that we may identify in the future.
- ***Enhancing International Offerings.*** We are focused on strengthening our broad global footprint as we believe that international markets represent a long-term strategic opportunity for us. We are continuing to improve localization and grow our user base in Europe, Asia and South America, especially in emerging markets, such as Brazil, Russia and China. In addition, we currently have two lead product offerings in the Chinese market—DaoDao and Kuxun—both headquartered in Beijing. We continue to invest heavily and operate at a loss in the Chinese market and will continue to enhance our international offerings.
- ***Growth through Strategic Acquisitions.*** We have a history of successfully acquiring and integrating companies that expand our footprint either geographically or in market sectors that are complementary to our flagship properties. We intend to continue to grow our business and expand our product and service offerings through acquisitions that either complement our existing businesses or provide additional resources, products and/or services that will improve the user experience.

Our Business Model

Our platforms connect users wishing to plan and have the best travel experiences with providers of travel accommodations and travel services around the world. We derive substantially all of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. The remainder of our revenue is generated through a combination of subscription-based offerings, allowing users to book room nights on our transactional sites, and other revenue including content licensing.

- ***Click-Based Advertising Revenue.*** Our largest source of revenue is click-based advertising, which includes links to our partners' booking sites and contextually-relevant branded and unbranded text links. Our click-based advertising partners are predominantly online travel agencies and direct suppliers in the hotel, airline and cruise product categories. Click-based advertising is generally priced on a cost-per-click, or CPC, basis, with payments from advertisers based on the number of users who click on each type of link. Most of our click-based advertising contracts can be terminated by the advertisers at will or on short notice. For the years ended December 31, 2013, 2012 and 2011, we earned \$696 million, \$588 million and \$500 million, respectively, of revenue from click-based advertising.
- ***Display-Based Advertising Revenue.*** We earn revenue from a variety of display-based advertising placements on our websites through which our advertising partners can promote their brands in a contextually-relevant manner. While our display-based advertising clients are predominately direct suppliers in the hotel, airline and cruise categories and online travel agencies, we also accept display advertising from destination marketing organizations, casinos, resorts and attractions, as well as advertisers from non-travel categories. We generally sell our display-based advertising on a cost per

thousand impressions, or CPM, basis. Our display-based advertising products also include a number of custom-built products including the sponsorship of certain site features and functionality, for example, Delayed Ad Call, which charges customers only when the ad unit is in a users' view, as well as certain customized co-branded features. For the years ended December 31, 2013, 2012 and 2011, we earned \$119 million, \$94 million and \$86 million, respectively, in revenue from display-based advertising.

- ***Subscription-Based, Transaction and Other Revenue.*** Business Listings, is a subscription-based advertising product offered to hotels, B&Bs and other specialty lodging properties. Managed by our TripAdvisor for Business team, this advertising product is sold for a flat fee per time period and allows subscribers to list a website URL, email address and phone number on TripAdvisor-branded websites as well as to post special offers for travelers. Our Vacation Rentals business consists of our U.S.-based TripAdvisor Vacation Rentals and FlipKey brands as well as our Europe-based Holiday Lettings, and Numba brands. This product is sold to individual vacation property owners and property managers, either as a flat subscription fee per time period or as a free-to-list commission-based model, to list properties on our websites. Other revenue consists of making hotel room nights available for booking on our transactional sites, including our Jetsetter and Tingo brands, as well as content licensing arrangements with third-party sites. For the years ended December 31, 2013, 2012 and 2011 we earned \$130 million, \$81 million and \$51 million, respectively, in revenue from subscription-based, transaction and other revenue.

Strategic Relationships

Click-Based Advertisers

We have click-based advertising relationships with the vast majority of the leading online travel agencies as well as a variety of other travel suppliers pursuant to which these companies purchase traveler leads from us, generally on a CPC basis. For the year ended December 31, 2013, our two most significant advertising customers, Expedia and Priceline (and their subsidiaries), each accounted for more than 10% of our total revenue and combined accounted for 47% of total revenue. These and our other click-based advertising relationships are strategically important to us and most can be terminated by the advertiser at will or on short notice.

Content-Related Partnerships

We have a content licensing program utilized by over 850 partners across the world, including hotel chains, online travel agents, tourist boards, airlines and media sites. TripAdvisor also distributes its content through self-service HTML widgets, which are used on the websites of hotels, restaurants, attractions and destination marketing organizations. These products, which are available at no cost in the TripAdvisor Management Center, allow businesses and destinations to promote themselves by displaying their TripAdvisor ratings, reviews and awards. TripAdvisor widgets are presently found on more than 100,000 unique domains around the globe, reaching over 500 million people per month. Partners benefit from our user-generated content, such as reviews, ratings, photos and traveler forums. In addition, we power review collection for a growing number of partners, such as Accor Hotels, Wyndham Hotel Group, Best Western and Easytobook.com, enabling them to proactively collect reviews from their own customers post-stay in their own branded environment. We have also developed partnerships with mobile carriers and device manufacturers.

Syndication Partners

We also syndicate our click-based advertising to third-party websites. The largest such syndication relationship is with Yahoo! Travel Guides, pursuant to which we provide "show prices" advertising on the Yahoo! Travel Guides' hotel pages. Other syndication partners include Bing and Axel Springer.

Marketing and Promotions

We have established widely used and recognized brands through marketing and promotion campaigns. We continue to aggressively promote our brands, particularly our flagship brand TripAdvisor. Our marketing

programs are intended to build and maintain the value of our brands, promote consumer engagement and contributions, drive qualified clicks to our partners and strategically position our brands in the market. Our long-term success depends on our continued ability to maintain and increase the overall number of consumers flowing through our brand in a cost-effective manner, as well as our ability to attract consumers who will share their own content from their trips. Our marketing channels include SEM and SEO. We also reach consumers across the web through our online marketing program, and offline through our more recent offline brand campaigns. We also utilize CRM in which we send relevant and engaging traveler communications to our members via email. We have a robust global public relations program that yields placements on a constant basis in major print and online publications. We continue to look for new ways to build brand awareness and expand new channels, which may include traditional media and social media channels including Facebook and Twitter to deepen customer engagement. We syndicate our content so that other sites can feature TripAdvisor branding and content. Lastly, marketing and product development initiatives are closely tied. We are constantly creating helpful features and functionality so that our consumers can discover more relevant travel and review content that they want to talk about and share with their friends.

Operations and Technology

We have assembled a team of highly skilled software engineers, computer scientists, data scientists, network engineers, and systems engineers whose expertise spans a broad range of technical areas, including a wide variety of open source operating systems, databases, languages, analytics, networking, scalable web architecture, operations, and warehousing technologies. We make significant investments in product and feature development, data management, personalization technologies, scalable infrastructures, networking, data warehousing, and search engine technologies. The TripAdvisor-branded websites are powered primarily using Java programming language.

Our systems infrastructure, web and database servers for TripAdvisor-branded websites are housed at two geographically separate facilities and have multiple communication links as well as continuous monitoring and engineering support. Each facility is fully self-sufficient and operational with its own hardware, networking, software, and content, and is structured in an active/passive, fully redundant configuration. Substantially all of our software components, data, and content are replicated in multiple datacenters and development centers, as well as being backed up at offsite locations. Our systems are monitored and protected through multiple layers of security. Several of our individual subsidiaries and businesses, including our subsidiaries in China, have their own data infrastructure and technology teams.

Widespread adoption of mobile devices such as iPhone, Android-enabled smart phones and tablets such as the iPad, coupled with the improved web browsing functionality and development of thousands of useful apps available on these devices, is driving substantial traffic and commerce activity to mobile platforms. We have seen tremendous growth in the adoption of mobile platforms, as have our advertising partners. Advertising opportunities may be more limited on mobile devices given their small screen sizes. Further, given the size and technical limitations of tablets and smartphones, mobile consumers may not be willing to download multiple apps from multiple travel service providers and instead prefer to use one or a limited number of apps for their mobile travel activity. As a result, the consumer experience with mobile apps (as well as brand recognition and loyalty) is becoming increasingly important and we make significant investments in this area.

We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices and mobile applications. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile apps are not downloaded and used by travel consumers, we could lose market share to existing or new entrants and our future growth and results of operations could be adversely effected. As a result, we have made significant progress creating mobile offerings which have received strong reviews, solid download trends and are driving a material and increasing share of our business. Our smartphone monetization strategies are still developing, as smartphone monetization was less than

20% of desktop monetization of hotel shoppers during the year ended December 31, 2013, while tablets monetize more closely to desktops.

Competition

We face competition for users, advertisers and travel reviews. Our primary competitors include large online portals, social networking sites and search engines, such as Google, Microsoft's Bing (including Bing Travel), Yahoo! (including Yahoo! Travel) and Baidu. We face competition from online travel agencies (such as Expedia and Priceline and their respective subsidiaries), as well as wholesalers, tour operators and traditional offline travel agencies. We also compete with a wide range of other companies, including Airbnb, Inc., Ctrip.com International, Ltd., HolidayCheck AG, HomeAway, Inc., and Yelp, Inc.

Competition for Content and Travel Reviews

We are the world's largest global platform for travel-related reviews and opinions and we face competition in the travel review space from online travel agencies, such as Expedia and Priceline and their respective subsidiaries, which solicit reviews from travelers who book travel on their websites. Moreover, networks with significant installed user bases such as Google (for example, via Google + Local and Google Hotel Finder) have begun to compete more directly with us by attracting and accumulating user-generated travel reviews and opinions or may pursue the acquisition of travel-related content directly from consumers, and other networks and channels, like Facebook, could choose to do the same.

Competition for Users

In the competition to attract users, we rely on our ability to acquire traffic through offline brand recognition and brand-direct efforts such as television, email and online search, whether unpaid or paid. Unpaid search is sometimes referred to as search engine optimization, or SEO, which is the practice of developing websites with relevant and current content that rank well in "organic," or unpaid, search engine results. SEO can be affected by a number of factors including competitive site content, changes to our website architecture and page designs, changes to search engine ranking algorithms, or changes to display ordering in search engine results such as preferred placement for internal products offered by search engines. SEM is a form of Internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages through the use of paid placement, contextual advertising, and paid inclusion. SEM is a competitive marketplace with competitors continually updating their traffic acquisition strategies and economic models across a large number of keywords and markets.

Competition for Advertisers

We compete for travel-related advertising budgets with large, established search engines with significantly greater resources than we have, such as Google, Bing, and Yahoo!, as well as online media companies and ad networks, offline advertising sources, such as television and print media. These competitors have large client bases and significantly greater resources than we have and expertise in developing online commerce and facilitating internet traffic are creating inroads into online travel. Competition from these parties could cause us to lose advertising customers or shares of advertising expenditures. For example, Google has launched "Hotel Finder", a search tool that enables users to search and compare hotel accommodations based on parameters set by users and has, at times, placed the Google supplier websites or its own search engine at or near the top of hotel-related search results. In addition, Microsoft has launched Bing Travel, which searches for hotel reservations and air fares online and predicts the best time to purchase them. If Google, Bing or any other leading search engines refer significant traffic to these or other travel services that they develop in the future, or otherwise favor supplier websites or other travel service websites over other online travel sites, including us, it would likely become more difficult and expensive for us to generate traffic to our websites and therefore maintain or grow our market share.

Certain of the companies we do business with are also our competitors. The consolidation of our competitors and partners, including Expedia (through its investment in Trivago) and Priceline (through its acquisition of Kayak), may affect our competitiveness and partner relationships. As the market evolves for online travel content and the technology supporting it, including new platforms such as smartphone and tablet computing devices, we anticipate that the existing competitive landscape will change and new competitors may emerge.

Intellectual Property

Our intellectual property, including patents, trademarks, copyrights, domain names, trade dress, proprietary technology and trade secrets, is an important component of our business. We rely on our intellectual property rights in our content, proprietary technology, software code, ratings indexes, databases of reviews and forum content, images, videos, graphics and brands. We have acquired some of our intellectual property rights through licenses and content agreements with third parties. These licenses and agreements may place restrictions on our use of the intellectual property.

We protect our intellectual property by relying on our terms of use, confidentiality procedures and contractual provisions, as well as on international, national, state and common law rights. In addition, we enter into confidentiality and invention assignment agreements with employees and contractors, and confidentiality agreements with other third parties. We protect our brands by pursuing the trademark registration of our core brands, such as TripAdvisor and the Owl Logo, maintaining our trademark portfolio, securing contractual trademark rights protection when appropriate, and relying on common law trademark rights when appropriate. We also register copyrights and domain names as deemed appropriate. Additionally, we protect our trademarks, domain names and copyrights with an enforcement program and the use of intellectual property licenses.

We have considered, and will continue to consider, the appropriateness of filing for patents to protect future inventions, as circumstances may warrant. However, many patents protect only specific inventions and there can be no assurance that others may not create new products or methods that achieve similar results without infringing upon patents owned by us.

Government Regulation

We are subject to a number of United States federal and state and foreign laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy, libel, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation and online payment services. In particular, we are subject to United States federal and state and foreign laws regarding privacy and protection of user data. Foreign data protection, privacy, and other laws and regulations are often more restrictive than those in the United States. United States federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations is often uncertain, particularly in the new and rapidly-evolving industry in which we operate. There are also a number of legislative proposals pending before the United States Congress, various state legislative bodies, and foreign governments concerning data protection which could affect us.

In addition, we provide advertising data and information and conduct marketing activities that are subject to United States federal and state consumer protection laws that regulate unfair and deceptive practices, domestically and internationally. The United States and European Union have begun to adopt legislation that regulates certain aspects of the Internet, including online editorial and user-generated content, user privacy, behavioral targeting and online advertising, taxation, and liability for third-party activities.

United States federal, state and foreign governments are also considering alternative legislative and regulatory proposals that would increase regulation on Internet advertising. It is impossible to predict whether

new taxes or regulations will be imposed on our services, and whether or how we might be affected. Increased regulation of the Internet could increase the cost of doing business or otherwise materially adversely affect our business, financial condition or operational results.

Segment and Geographic Areas

We have one operating and reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions, evaluates operating performance and allocates resources. The chief operating decision maker for the Company is our Chief Executive Officer.

The following table presents revenue by geographic area, the United States, the United Kingdom and all other countries, based on the geographic location of our websites for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Revenue			
United States	\$462,920	\$386,211	\$348,066
United Kingdom	119,041	110,213	99,646
All other countries	362,700	266,542	189,351
	<u>\$944,661</u>	<u>\$762,966</u>	<u>\$637,063</u>

The following table presents property and equipment, net for the United States and all other countries based on the geographic location of the assets for the periods presented:

	December 31,	
	2013	2012
	(in thousands)	
Property and equipment, net		
United States	\$67,275	\$36,255
All other countries	14,253	7,547
	<u>\$81,528</u>	<u>\$43,802</u>

Employees

As of December 31, 2013, we had approximately 2,017 employees. Of these employees, approximately 1,146 were based in the United States. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We believe that relations with our employees are good.

Seasonality

Expenditures by travel advertisers tend to be seasonal. Traditionally, our strongest quarter has been the third quarter, which is a key travel research period, with the weakest quarter historically being the fourth quarter. However, adverse economic conditions or continued growth of our international operations with differing holiday peaks may influence the typical trend of our seasonality in the future.

Additional Information

Company Website and Public Filings

We maintain a corporate website at www.tripadvisor.com. Except as explicitly noted, the information on our website, as well as the websites of our various brands and businesses, is not incorporated by reference in this Annual Report on Form 10-K, or in any other filings with, or in any information furnished or submitted to, the SEC.

We make available, free of charge through the Investor Relations section of our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after they have been electronically filed with, or furnished to, the SEC.

Code of Ethics

We post our code of business conduct and ethics, which applies to all employees, including all executive officers, senior financial officers and directors, on our corporate website at www.tripadvisor.com. Our code of business conduct and ethics complies with Item 406 of SEC Regulation S-K and the rules of NASDAQ. We intend to disclose any changes to the code that affect the provisions required by Item 406 of Regulation S-K, and any waivers of the code of ethics for our executive officers, senior financial officers or directors, on our corporate website.

Item 1A. Risk Factors

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

If we are unable to continue to increase visitors to our websites and to cost-effectively convert these visitors into repeat users or contributors, our advertising revenue could decline.

The primary asset that we use to attract traffic to our websites and convert these visitors into repeat users is the content created by users of our websites, particularly such content's volume, unique nature and organization. Our success in attracting users depends, in part, upon our continued ability to collect, create, organize and distribute high-quality, commercially valuable content in a cost-effective manner at a scale that connects consumers with content that meets their specific interests and enables them to share and interact with the content and supporting communities. If people do not perceive our products to be useful, reliable and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. There can be no assurances that we will continue to obtain content in a cost-effective manner or in a manner that timely meets rapidly changing consumer demand. Any failure to obtain such content or organize and distribute such content in any manner that will engage users could adversely affect user experiences and reduce traffic driven to our websites, which would make our websites less attractive to advertisers. Any change in the cost structure pursuant to which we obtain our content currently, or in travelers' relative appreciation of user-based versus expert content or our user-based content versus other sites' user-based content, could negatively impact our business and financial performance.

We derive substantially all of our revenue from advertising and any significant reduction in spending by advertisers could harm our business.

We derive substantially all of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. Most of our advertisers can terminate their contracts with us at will or on short notice. Our ability to grow advertising revenue with our existing or new advertising partners is dependent in large part on our ability to generate revenue for them. Advertisers will not continue to do business with us if their investment in such advertising does not generate sales leads, customers, bookings, or revenue and profit on a cost-effective basis, or if we do not deliver advertisements in an effective manner. If we are unable to remain competitive and provide value to our advertisers, they will likely stop placing ads on our websites, which would harm our revenues and business. In addition, we cannot guarantee that our current advertisers will fulfill their obligations under existing contracts, continue to advertise beyond the terms of existing contracts or enter into any additional contracts with us.

Click-based advertising accounts for the majority of our advertising revenue. Any changes we make to our business model may impact our advertising revenue in ways that we do not expect. If our partners do not receive the benefits they expect from their advertising spend with us, they may reduce their spending. In addition, if new, more effective advertising models were to emerge, there can be no assurance that we will have the ability to offer these models, or offer them in an effective manner. To the extent new technology platforms, such as smartphone and tablet computing, begin to take market share from established platforms, there can be no assurance that our existing advertising models will operate successfully on these new platforms, or work as effectively as on the desktop computer platform.

Furthermore, our CPC pricing for click-based advertising depends, in part, on competition between advertisers. If our large advertisers become less competitive with each other, merge with each other or with our competitors, focus more on per-click profit than on traffic volume, or are able to reduce CPCs, this could have an adverse impact on our CPCs which would, in turn, have an adverse effect on our business, financial condition and results of operations.

Expenditures by advertisers also tend to be cyclical, subject to variation based on budgetary constraints, project cancellation or delay, and to reflect overall economic conditions and buying patterns. If we are unable to generate advertising revenue due to factors outside of our control, our business and financial performance would be adversely affected.

Our businesses could be negatively affected by changes in search engine algorithms and dynamics, or search engine disintermediation.

We rely heavily on Internet search engines such as Google on desktop, tablet and mobile devices, including through the purchase of travel-related keywords, to generate traffic to our websites. We obtain a significant amount of traffic via search engines and, therefore, utilize techniques such as SEO and SEM to improve our placement in relevant search queries. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our websites to place lower in search query results. If a major search engine changes its algorithms in a manner that negatively affects our paid or unpaid search ranking, or if competitive dynamics impact the effectiveness of SEO or SEM in a negative manner, our business and financial performance would be adversely affected, potentially to a material extent. Furthermore, our failure to successfully manage our SEO and SEM strategies could result in a substantial decrease in traffic to our websites, as well as increased costs if we were to replace free traffic with paid traffic.

In addition, to the extent that Google (including Google + Local and Google Hotel Finder) and Bing (including Bing Travel), or other leading search or metasearch engines that have a significant presence in our key markets, disintermediate online travel agencies or travel content providers by offering comprehensive travel planning or shopping capabilities, or refer those leads to suppliers directly, or to other favored partners, there could be a material adverse impact on our business and financial performance. For example, during 2011, Google completed its acquisition of flight search technology company ITA Software and separately made changes to its hotel search results, including both expanding and promoting the use of Google + Local. To the extent these actions have a negative effect on our search traffic, whether on desktop, tablet or mobile devices, our business and financial performance could be adversely affected.

We rely on a relatively small number of significant advertisers and any reduction in spending by or loss of those advertisers could seriously harm our business.

We derive a substantial portion of our revenue from a relatively small number of significant advertisers. For example, for the year ended December 31, 2013, our two most significant advertising customers, Expedia and Priceline (and their subsidiaries), accounted for a combined 47% of total revenue. If any of our significant advertisers were to cease or significantly curtail advertising on our websites, we could experience a rapid decline in our revenue over a relatively short period of time.

Our success depends upon the acceptance, and successful measurement, of online advertising as an alternative to offline advertising.

We believe that a significant discrepancy exists between the percentage of the advertising market allocated to online advertising and the percentage of consumer time spent on online media consumption as opposed to offline advertising and media consumption. Long-term growth of our business will depend heavily on this distinction between online and offline advertising narrowing or being eliminated, which may not happen in a manner or to the extent that we currently expect. We compete with traditional media for advertising dollars, in addition to websites with higher levels of traffic. If online advertising ceases to be an acceptable alternative to offline advertising then our business, financial condition and results of operations will be negatively impacted.

Because the online marketing industry is relatively new and rapidly evolving, it uses different methods than traditional media to gauge its effectiveness. Some of our potential customers have little or no experience using

the Internet for advertising and marketing purposes and have allocated only limited portions of their advertising and marketing budgets to the Internet. The adoption of Internet advertising, particularly by those entities that have historically relied upon traditional media for advertising, requires the acceptance of a new way of conducting business, exchanging information and evaluating new advertising and marketing technologies and services. As a result, we are continually evaluating changes to aspects of our business model to keep pace with the expectations of users and advertisers, and these changes may not yield the benefits we expect. In particular, we are dependent on our clients' adoption of new metrics to measure the success of online marketing campaigns. We may also experience resistance from traditional advertising agencies who may be advising our clients. Any lack of growth in the market for various online advertising models could have an adverse effect on our business, financial condition and results of operations.

In addition, if advertisers materially change their transaction attribution models or their return on investment calculations and/or increase their return on investment targets with respect to online advertising in general, or TripAdvisor traffic in particular, they might reduce the prices they are willing to pay for our advertising products, which would have an adverse effect on our business, financial condition and results of operations.

Growth in the use of TripAdvisor through smartphones as a substitute for use on personal computers and tablets may negatively affect our revenue and financial results.

In general, our content was originally designed for users accessing the Internet on a desktop or laptop computer. The number of people who access the Internet through devices other than personal computers, such as smartphones and tablets, has increased substantially in the last few years and we anticipate that the rate of use of smartphone computing devices will continue to grow. Although the substantial majority of smartphone users also access and engage with our websites on personal computers and/or tablets, our users could decide to increasingly access our products primarily through smartphone devices. We have developed services and applications to address limitations of these smaller devices and our advertising revenues continue to grow, however, we monetize users of smartphone computing devices at a lower rate compared to users who access our websites through personal computers and the efficacy of the smartphone advertising market and our smartphone monetizing strategies are still developing.

Additionally, as new devices and new platforms are continually being released, it is difficult to predict the challenges that we may encounter in developing versions of our offerings for use on these alternative devices, and we may need to devote significant resources to the creation, support, and maintenance of our services on such devices. If users continue to increasingly access our smartphone products as a substitute for access through personal computers and/or tablets, and if we are unable to successfully improve monetization strategies for our smartphone users, our revenue and financial results may be negatively affected.

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

Our businesses and financial performance are affected by the health of the worldwide travel industry. Travel expenditures are sensitive to personal and business discretionary spending levels and tend to decline or grow more slowly during economic downturns. Decreased travel expenditures could reduce the demand for our services, thereby causing a reduction in revenue.

In 2008, domestic and global economic conditions deteriorated rapidly, resulting in increased unemployment and a reduction in available budgets for both business and leisure travelers, which slowed spending on the services that we provide. The global economy remains in a fragile state and may be adversely impacted by a number of negative economic developments including defaults on government debt, significant increases in fuel and energy costs, tax increases and other matters that could reduce discretionary spending, continued tightening of credit markets, further declines in consumer confidence, and policy missteps. Further weakness in the global economy could create uncertainty for travelers and suppliers, and result in reduced spending by advertisers. These conditions could have a material adverse impact on our business and financial performance.

We rely on the value of our brand and consumer trust in our brand. If we are not able to maintain and enhance our brand, or if events occur that damage our reputation and brand, our business may be harmed.

We believe that the TripAdvisor brand has contributed significantly to our success and that maintaining and enhancing our brand is critical to expanding our base of users, creating content and attracting advertisers. As a result, we invest significantly in brand marketing including, most recently, television. We expect these investments to continue, or even increase, as a result of a variety of factors, including increased spending from competitors, the increasing costs of supporting multiple brands, expansion into geographies and products where our brands are less well known, inflation in media pricing, and the continued emergence and relative traffic share growth of search engines as destination sites for travelers. Such efforts may not maintain or enhance consumer awareness of our brands and, even if we are successful in our branding efforts, such efforts may not be cost-effective or as efficient as they have been historically. If we are unable to maintain or enhance consumer awareness of our brands or to generate demand in a cost-effective manner, it would have a material adverse effect on our business and financial performance.

We receive significant media coverage in our various geographic markets. Unfavorable publicity regarding, for example, our privacy practices, product changes, the accuracy of user-generated content, product quality, litigation or regulatory activity could adversely affect our reputation with our site users and our advertisers. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

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

The market for the travel services we offer is intensely competitive. We face competition from a number of different sources and many of our competitors have significantly greater and more diversified resources than we do and may be able to leverage other aspects of their business to enable them to compete more effectively against us. More specifically:

- We currently face competition from travel service providers such as major hotel companies, airlines and rental car companies, many of which have their own websites to which they drive business. For example, several major hotel companies launched an online hotel reservation service with a stated goal of driving consumers directly to their brand websites thereby reducing the share receive by online travel agents. They may also attempt to improve their competitive position by offering lower room rates, better room availability or additional features or amenities through this reservation service than are available through services like ours.
- We currently face competition from online travel agents, such as Expedia and Priceline (and their subsidiaries), and this competition may increase to the extent that these online travel agents accumulate and develop a comprehensive offering of travel-related reviews and resources. The barriers to entry for these companies may be limited given their access to travel-related information and relationships with consumers.
- We face increased competition from the large search engines and social networking sites, companies, such as Google and Facebook, or other companies, which competition will only increase should they chose to compete more directly with us in the travel review space, and create commercially valuable online content at significant scale. For example, Google + Local, with its aggregated reviews and local recommendations, competes with us and Google's access to more comprehensive data regarding user search queries through its search algorithms gives it a significant competitive advantage over other companies in the industry, including us. In addition, if significant numbers of users adopt Facebook's newly released Graph Search to get travel recommendations, it could have the effect of reducing traffic and user engagement on TripAdvisor.
- We also face competition from travel agencies, wholesalers and travel operators as well as operators of travel industry reservation databases such as Galileo, Travelport, Amadeus and Sabre.

- In addition, we compete with newspapers, magazines and other traditional media companies that provide offline and online advertising opportunities.
- For our vacation rental business, we also face competition from several companies, including HomeAway and Airbnb, some of whom have a larger inventory of rooms available than we do.

Many of our competitors have significantly greater financial, technical, marketing and other resources compared to us and have expertise in developing online commerce and facilitating Internet traffic as well as large client bases. We expect to face additional competition as other established and emerging companies enter the travel advertising market.

Certain of the companies we do business with, including some of our click-based advertising partners, are also our competitors. The consolidation of our competitors and partners, including Expedia (through its investment in Trivago) and Priceline (through its acquisition of Kayak), may affect our relative competitiveness and our partner relationships. Competition and consolidation could result in higher traffic acquisition costs, reduced margins on our advertising services, loss of market share, reduced customer traffic to our websites and reduced advertising by travel companies on our websites. For example, Google (through its launch of Google Hotel Finder, evolution and expansion of Google + Local and preferred top placement of Places results in Google organic travel search results) and Microsoft's Bing (through its launch of Bing Travel), have each taken steps to appeal more directly to travel customers, which could lead to diversion of customer traffic to their own websites or those of a favored partner, or undermine our ability to obtain prominent placement in paid or unpaid search results at a reasonable cost, or at all. Competition in our industry may result in pricing pressure, loss of market share or decreased member engagement, any of which could adversely affect our business and financial performance.

As a distributor and host of Internet content, we face potential liability and expense for legal claims based on the nature and content of the materials that we distribute or create, or that are accessible via our websites.

As a distributor and host of original content and user-generated content, we face potential liability based on a variety of theories, including defamation, libel, negligence, copyright or trademark infringement or other legal theories based on the nature, creation or distribution of this information, and under various laws, including the Lanham Act, the Copyright Act, the Federal Trade Commission Act, and the Digital Millennium Copyright Act. We may also be exposed to similar liability in connection with content that users post to our websites through forums, blogs, comments, and other social media features. In addition, it is possible that visitors to our websites could make claims against us for losses incurred in reliance upon information provided via our websites. These claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. If we become subject to these or similar claims and are not successful in our defense, we may be forced to pay substantial damages. There is no guarantee that we will avoid future liability and potential expenses for legal claims based on the content available on our websites. Should the content distributed through our websites violate the rights of others or otherwise give rise to claims against us, we could be subject to substantial liability, which could have a negative impact on our business and financial performance.

Loss of trust in our brand would harm our reputation and adversely affect our business, financial condition and results of operations. Our success depends on attracting a large number of users to our websites, and retaining such users, and providing leads and clicks to advertisers. In order to attract and retain users, we must remain a valuable source of travel advice. Because of our reliance on user-generated content, we must continually manage and monitor our content and detect incorrect or fraudulent information. For example, hotels, hotel competitors, or others, in an attempt to improperly influence a hotel's reviews and rankings, sometimes write and submit fraudulent or otherwise misleading reviews. If a significant amount of inaccurate or fraudulent information were not detected and removed by us in a timely manner, or if a significant amount of information

was deemed by users or the media to be inaccurate or fraudulent, our brand, business and reputation could be harmed. Any damage to our reputation could harm our ability to attract and retain users, employees and advertisers, which would adversely affect our business and financial performance. In addition, significant adverse news reports or media, industry or consumer coverage of us would reflect poorly on our brands and could have an adverse effect on our business and financial performance.

We are dependent upon the quality of traffic in our network to provide value to online advertisers, and any failure in our quality control could have a material adverse effect on the value of our websites to our advertisers and adversely affect our revenue.

We use technology and processes to monitor the quality of and to identify any anomalous metrics associated with, the Internet traffic that we deliver to online advertisers. These metrics may be indicative of low quality clicks such as non-human processes, including robots, spiders or other software; the mechanical automation of clicking; and other types of invalid clicks or click fraud. Even with such monitoring in place, there is a risk that a certain amount of low-quality traffic, or traffic that online advertisers deem to be invalid, will be delivered to such online advertisers. As a result, we may be required to credit amounts owed to us by our advertisers. Furthermore, low-quality or invalid traffic may be detrimental to our relationships with advertisers, and could adversely affect our advertising pricing and revenue.

We rely on assumptions and estimates and data from third parties to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

Certain key metrics, such as the number of our active users, unique visitors, total traffic and number of reviews and opinions, are calculated, in some cases, using internal company data and, in other cases, relying on data from third parties. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, a single person or user may have multiple accounts or browse the internet on multiple browsers, some mobile applications automatically contact our servers for regular updates with no user action and we are not able to capture user information on all of our platforms. As such, the calculations of our active users and unique visitors may not accurately reflect the number of people actually using our platforms. In addition, our measures of user growth and user engagement may differ from estimates published by third parties or from similar metrics of our competitors due to differences in methodologies utilized by us and the third parties for which we rely on this data.

We are continually seeking to improve our ability to estimate these key metrics. We regularly review and adjust our processes for calculating our internal metrics to improve their accuracy. If our users, advertisers, partners and shareholders do not perceive our metrics to be accurate representations or if we discover material inaccuracies in our user metrics, our reputation may be harmed. In which case, users may not use our products and services and advertisers and partners may be less willing to allocate their budgets to our products and services which could negatively affect our business and operating results.

We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our businesses.

We depend on the use of sophisticated information technologies and systems. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our services in response to competitive service and product offerings. The emergence of alternative platforms such as smartphone and tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing,

could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

If we do not continue to innovate and provide tools and services that are useful to travelers, we may not remain competitive, and our business and financial performance could suffer.

Our success depends in part on continued innovation to provide features and services that make our websites and smartphone and tablet computing applications useful for travelers. Our competitors are continually developing innovations in online travel-related services and features. As a result, we are continually working to improve our business model and user experience in order to drive user traffic and conversion dates. We can give no assurances that the changes we make will yield the benefits we expect and will not have adverse impacts that we did not anticipate. If we are unable to continue offering innovative products and services and quality features that travelers want to use, existing users may become dissatisfied and use a competitor's offerings and we may be unable to attract additional users, which could adversely affect our business and financial performance.

New technologies could block our ads, which would harm our business.

Technologies have been developed that can block the display of online ads and that provide tools to users to opt out of some web-based advertising products. We derive most of our revenues from fees paid to us by advertisers in connection with the display of ads on web pages for our users. As a result, these technologies and tools could adversely affect our business and financial performance.

Our culture emphasizes rapid innovation and prioritizes user engagement over short-term financial results.

We have a culture that encourages rapid development and release of new and improved products, which may at times result in unintended consequences or decisions that are poorly received by users or advertisers. Our culture also prioritizes user engagement, or website "stickiness," over short-term financial results. We have taken actions in the past and may continue to make product decisions going forward that have the effect of reducing our short-term revenue or profitability if we believe that the decisions benefit the aggregate user experience and/or conversion rates and CPC pricing, and will thereby improve our financial performance over the long-term. The short-term reductions in revenue or profitability could be more severe than we anticipate. These decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with users and advertisers, and our business and results of operations could be harmed.

The online vacation rental market is rapidly evolving and if we fail to predict the manner in which the market develops, our business and prospects may suffer.

We offer vacation rental services through our U.S.-based FlipKey and European-based Holiday Lettings and Niumba businesses, as well through various partnerships. The online vacation rental market is relatively new and rapidly evolving in many respects, including acceptance of the business model by travelers, property owners and property managers; from a business and marketing perspective as well as the regulatory environment. We operate in various disparate jurisdictions and markets and have limited insight into trends that may develop in those markets and may affect our business. Since we began offering such services, there have been and continue to be significant business, marketing and regulatory developments. Operating in new and untested jurisdictions requires significant management attention and financial resources. We cannot assure that our expansion efforts will be successful, and the investment and additional resources required to establish operations and manage growth may not produce the desired levels of revenue or profitability.

If we fail to attract and maintain a critical mass of vacation rental listings and travelers, our vacation rental marketplaces will become less valuable and this may have a negative impact on our business.

In our vacation rental business, revenue is generated when either owners or managers of vacation rental properties pay us fees to list and market vacation rental properties to users who visit the websites comprising our

marketplace or owners and/or travelers pay us fees upon booking a transaction. As a result, our success in this area primarily depends on our ability to attract owners, managers, travelers and advertisers to our marketplace. If property owners and managers do not perceive the benefits of marketing their properties through our websites, or elect to list them with a competitor instead of listing with us, our volume of new listings and listing renewals may suffer. As a result, we may be unable to offer a sufficient supply and variety of vacation properties to attract travelers to our websites. A larger competitor already exists in the vacation rental space, with significantly more users and listed properties, and new competitors with significant financial resources are continually emerging.

We may be subject to claims that we violated intellectual property rights of others, which claims can be extremely costly to defend and could require us to pay significant damages and limit our ability to operate.

Companies in the Internet and technology industries, and other patent and trademark holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have received in the past, and may in the future receive, notices that claim we have misappropriated or misused other parties' intellectual property rights. There may be intellectual property rights held by others, including patents, copyrighted works and/or trademarks, which cover significant aspects of our technologies or content. Any intellectual property claim against us, regardless of merit, could be time consuming and expensive to settle or litigate and could divert management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology or content found to be in violation of another party's rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, or content, which could require significant effort and expense and make us less competitive in the relevant market. Any of these results could harm our business and financial performance.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We are party to a term loan in the amount of \$400 million, as well as a revolving credit facility of \$200 million. These arrangements may limit our ability to secure significant additional financing in the future on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under indebtedness outstanding from time to time. Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to then prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. In light of periodic uncertainty in the capital and credit markets, there can be no assurance that sufficient financing will be available on desirable or even any terms to fund investments, acquisitions, stock repurchases, dividends, debt refinancing or extraordinary actions or that counterparties in any such financings would honor their contractual commitments. If financing is not available when needed or is not available on favorable terms, we may be unable to issue or develop new or enhanced existing services, complete acquisitions, repurchase equity or otherwise take advantage of business opportunities, any of which could have a material adverse effect on our business, financial condition and results of operations. If we raise additional funds through the issuance of equity securities, our stockholders may experience significant dilution.

Furthermore, we are also accumulating a greater portion of our cash flows in foreign jurisdictions than previously. The repatriation of such funds for use in the United States, including for corporate purposes such as acquisitions, stock repurchases, dividends or debt refinancings, may result in additional U.S. income tax expense and higher cost for such capital.

We have significant indebtedness, which could adversely affect our business and financial condition.

The face value of our term loan totals \$400 million. Risks relating to our indebtedness include:

- Increasing our vulnerability to general adverse economic and industry conditions;
- Requiring us to dedicate a portion of our cash flow from operations to principal and interest payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- Making it more difficult for us to optimally capitalize and manage the cash flow for our businesses;
- Limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- Possibly placing us at a competitive disadvantage compared to our competitors that have less debt;
- Limiting our ability to borrow additional funds or to borrow funds at rates or on other terms that we finds acceptable; and
- Exposing us to the risk of increased interest rates because our outstanding debt is expected to be subject to variable rates of interest.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our term loan and revolving credit facility will allow us to incur additional debt subject to certain limitations. If new debt is added to current debt levels, the risks described above could intensify.

The agreements that govern our credit facility contain various covenants that limit our discretion in the operation of our business and also require us to meet financial maintenance tests and other covenants. The failure to comply with such tests and covenants could have a material adverse effect on us.

We are party to a credit agreement providing for a revolving credit facility with a borrowing capacity of \$200 million and a term of five years, as well as a five-year, \$400 million term loan to TripAdvisor Holdings, LLC. The agreements that govern the term loan and revolving credit facility contain various covenants, including those that limit our ability to, among other things:

- Incur indebtedness;
- Pay dividends on, redeem or repurchase our capital stock;
- Enter into certain asset sale transactions, including partial or full spin-off transactions;
- Enter into secured financing arrangements;
- Enter into sale and leaseback transactions; and
- Enter into unrelated businesses.

These covenants may limit our ability to optimally operate our business. In addition, our term loan and revolving credit facility require that we meet certain financial tests, including an interest coverage test and a leverage ratio test. Any failure to comply with the restrictions of our term loan credit facility may result in an event of default under the agreements governing such facilities. Such default may allow the creditors to accelerate the debt incurred under thereunder. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds (including periodic rollovers of existing borrowings).

If the Spin-Off, together with certain related transactions, were to fail to qualify as a transaction that is generally tax free for U.S. federal income tax purposes, we could be subject to significant tax liabilities.

As a condition to the completion of the Spin-Off, Expedia obtained a private letter ruling from the Internal Revenue Service, or the IRS, along with an opinion of counsel, satisfactory to the Expedia Board of Directors

regarding the qualification of the Spin-Off, together with certain related transactions, as a transaction that is generally tax free for U.S. federal income tax purposes under Sections 355 and 368(a) (1) (D) of the Internal Revenue Code of 1986, as amended, or the Code. The IRS private letter ruling and the opinion of counsel were based on, among other things, certain facts, assumptions as well as the accuracy of certain representations, statements and undertakings that Expedia and we made to the IRS and to counsel. If any of these representations, statements or undertakings are, or become, inaccurate or incomplete, or if we or Expedia breach any of the covenants, the IRS private letter ruling and the opinions of counsel may be invalid.

Moreover, the IRS private letter ruling does not address all the issues that are relevant to determining whether the Spin-Off qualifies as a transaction that is generally tax free for U.S. federal income tax purposes. Notwithstanding the IRS private letter ruling and/or the opinion of counsel, the IRS could determine that the Spin-Off should be treated as a taxable transaction if it determines that any of the representations, assumptions or undertakings that were included in the request for the IRS private letter ruling or on which the opinion of counsel was based is false or has been violated or if it disagrees with the conclusions in the opinion of counsel that are not covered by any IRS ruling.

Under the Tax Sharing Agreement between us and Expedia, we are generally required to indemnify Expedia for any taxes resulting from the Spin-Off (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related stockholder litigation or controversies) to the extent such amounts resulted from (i) any act or failure to act by us described in the covenants in the tax sharing agreement, (ii) any acquisition of our equity securities or assets or those of a member of our group, or (iii) any failure of the representations with respect to us or any member of our group to be true or any breach by us or any member of our group of any covenant, in each case, which is contained in the separation documents or in the documents relating to the IRS private letter ruling and/or the opinion of counsel.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, which places substantial demands on management and our operational infrastructure. We have also consummated a number of acquisitions which have increased our headcount, operations and locations. We intend to make substantial investments in our technology, sales and marketing and community management organizations. We also intend to continue to explore acquisitions. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, including employees in international markets, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

Our international operations involve additional risks and our exposure to these risks will increase as our business expands globally.

We operate in a number of jurisdictions outside of the United States and intend to continue to expand our international operations. To achieve widespread acceptance in new countries and markets, we must continue to tailor our services and business model to the unique circumstances of such countries and markets, which can be difficult, costly and divert management and personnel resources. Failure to adapt practices and models effectively to each country into which we expand could slow our international growth.

We have businesses operating in China, which create particular risks and uncertainties relating to the laws in China. We operate in China under the brands daodao.com and kuxun.cn. The success of these businesses, and of any future investments in China, is subject to risks and uncertainties regarding the application, development and interpretation of China's laws and regulations.

The laws and regulations of China restrict foreign investment in areas including air-ticketing and travel agency services, Internet content provision, mobile communication and related businesses. Although we have

established effective control of our Chinese businesses through a series of agreements, future developments in the interpretation or enforcement of Chinese laws and regulations or a dispute relating to these agreements could restrict our ability to operate or restructure these businesses or to engage in strategic transactions.

Other risks faced by us as a result of our international operations, including our operations in China, include:

- Political instability;
- Threatened or actual acts of terrorism;
- Regulatory requirements, including the Foreign Corrupt Practices Act and U.K. Bribery Act, data privacy requirements, labor laws and anti-competition regulations;
- Ability to comply with additional U.S. laws applicable to U.S. companies operating internationally as well as local laws and regulations;
- Diminished ability to legally enforce contractual rights;
- Increased risk and limits on enforceability of intellectual property rights;
- Possible preferences by local populations for local providers;
- Restrictions on, or adverse consequences related to, the withdrawal of non-U.S. investment and earnings;
- Currency exchange restrictions, particularly conversion of the U.S. dollar into Chinese renminbi;
- Restrictions on repatriation of cash as well as restrictions on investments in operations in certain countries;
- Financial risk arising from transactions in multiple currencies;
- Slower adoption of the Internet as an advertising, broadcast and commerce medium in certain of those markets as compared to the United States;
- Difficulties in managing staffing and operations due to distance, time zones, language and cultural differences; and
- Uncertainty regarding liability for services, content and intellectual property rights, including uncertainty as a result of local laws and lack of precedent.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

Our future success depends upon the continued contributions of our senior corporate management and other key employees. In particular, the contributions of Stephen Kaufer, our President and Chief Executive Officer, are critical to our overall management. We cannot ensure that we will be able to retain the services of these individuals, and the loss of one or more of our key personnel could seriously harm our business. We do not maintain any key person life insurance policies.

In addition, competition remains intense for well-qualified employees in certain aspects of our business, including software engineers, developers, product management and development personnel, and other technology professionals. 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 or motivating existing employees, our business would be adversely affected.

Changing laws, rules and regulations and legal uncertainties may adversely affect our business or financial performance.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our business, including those relating to the Internet and online commerce, Internet advertising, consumer protection and privacy. Unfavorable changes could decrease demand for products and services, limit marketing methods and capabilities, increase costs and/or subject us to additional liabilities.

For example, there is, and will likely continue to be, an increasing number of laws and regulations pertaining to the Internet and online commerce that may relate to liability for information retrieved from or transmitted over the Internet, online editorial and user-generated content, user privacy, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of products and services. Our current business partner arrangements with third parties, including Facebook, could be negatively impacted to the extent that more restrictive privacy laws or regulations are enacted, particularly in the United States or European Union. In addition, enforcement authorities in the United States continue to rely on their authority under existing consumer protection laws to take action against companies relating to data privacy and security practices. The growth and development of online commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Liberty Interactive Corporation currently is a controlling shareholder.

Liberty Interactive Corporation, or Liberty, effectively controls the outcome of all matters submitted to a vote or for the consent of our stockholders (other than with respect to the election by the holders of our common stock of 25% of the members of our Board of Directors and matters as to which Delaware law requires separate class votes). Liberty's control of us, as well as the existing provisions of our organizational documents and Delaware law, may discourage or prevent a change of control of us, which may reduce the market price of our common stock.

Our effective tax rate is impacted by a number of factors that could have a material impact on our financial results and could increase the volatility of those results.

Due to the global nature of our business, we are subject to income taxes in the United States and other foreign jurisdictions. In the event we incur net income in certain jurisdictions but incur losses in other jurisdictions, we generally cannot offset the income from one jurisdiction with the loss from another, which could increase our effective tax rate. Furthermore, significant judgment is required to calculate our worldwide provision for income taxes. In the ordinary course of our business there are many transactions and calculations where the ultimate tax determination is uncertain. By virtue of our previously filed separate company and consolidated income tax returns with Expedia we are routinely under audit by federal, state and foreign taxing authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made.

Additionally, we earn an increasing portion of our income, and accumulate a greater portion of cash flow, in foreign jurisdictions. Any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates and incremental cash tax payments. In addition, there have been proposals to amend U.S. tax laws that would significantly impact the manner in which U.S. companies are taxed on foreign earnings. Although we cannot predict whether or in what form any legislation will pass, if enacted, it could have a material adverse impact on our U.S. tax expense and cash flows.

We cannot be sure that our intellectual property is protected from copying or use by others, including potential competitors.

Our websites rely on content, brands and technology, much of which is proprietary. We protect our proprietary content, brands and technology by relying on a combination of trademarks, copyrights, trade secrets, patents and confidentiality agreements. In connection with our license agreements with third parties, we seek to control access to, and the use and distribution of, proprietary technology, content and brands. Even with these precautions, it may be possible for another party to copy or otherwise obtain and use our proprietary technology, content or brands without authorization or to develop similar technology, content or brands independently. Effective trademark, copyright, patent and trade secret protection may not be available in every jurisdiction in which our services are made available, and policing unauthorized use of our proprietary technology, content and brands is difficult and expensive. Therefore, in certain jurisdictions, we may be unable to protect our proprietary technology, content and brands adequately against unauthorized third-party copying or use, which could adversely affect our business or ability to compete. We cannot be sure that the steps we have taken will prevent misappropriation or infringement of proprietary technology, content or brands. Any misappropriation or violation of our rights could have a material adverse effect on our business. Furthermore, we may need to go to court or other tribunals to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. These proceedings might result in substantial costs and diversion of resources and management attention. Our failure to protect our intellectual property in a cost-effective or effective manner could have a material adverse effect on our business and ability to protect our technology, content and brands.

We currently license from third parties and incorporate the technologies and content into our websites. As we continue to introduce new services that incorporate new technologies and content, we may be required to license additional technology, or content. We cannot be sure that such technology or content will be available on commercially reasonable terms, if at all.

We are subject to foreign exchange risk.

We conduct a significant and growing portion of our business outside the United States. As a result, we face exposure to movements in currency exchange rates, particularly those related to the Euro, British pound sterling, Singapore dollar and Chinese renminbi. These exposures include, but are not limited to re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities; translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars upon consolidation; and planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur.

Depending on the size of the exposures and the relative movements of exchange rates, if we were to choose not to hedge or were to fail to hedge effectively our exposure, we could experience a material adverse effect on our financial statements and financial condition. As seen in some recent periods, in the event of severe volatility in exchange rates the impact of these exposures can increase, and the impact on results of operations can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures both more complex and costly. We hedge certain short-term foreign currency exposures with the purchase of forward exchange contracts. These hedge contracts only help mitigate the impact of changes in foreign currency rates that occur during the term of the related contract period and carry risks of counter-party failure. There can be no assurance that our hedges will have their intended effects.

System interruption and the lack of redundancy in some of our internal information systems may harm our business.

We rely on computer systems to deliver content and services. We have experienced and may in the future experience system interruptions that make some or all of these systems unavailable or prevent us from efficiently fulfilling orders or providing content and services to users and third parties. Significant interruptions, outages or

delays in internal systems, or systems of third parties that we rely upon including multiple co-location providers for data centers and network access, or deterioration in the performance of any such systems, would impair our ability to process transactions or display content and decrease the quality of the services we offer to travelers and users. These interruptions could include security intrusions and attacks on our systems for fraud or service interruption (called “denial of service” or “bot” attacks). If we were to experience frequent or persistent system failures, our business, reputations and brand could be harmed.

In addition, we lack backup systems or contingency plans for certain critical aspects of our operations or business processes. Many other systems are not fully redundant and their disaster recovery or business continuity planning may not be sufficient. Fire, flood, power loss, telecommunications failure, break-ins, earthquakes, acts of war or terrorism, acts of God, computer viruses, electronic intrusion attempts from both external and internal sources and similar events or disruptions may damage or impact or interrupt computer or communications systems or business processes at any time. Although we have put measures in place to protect certain portions of our facilities and assets, any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing content and services to users, travelers and/or third parties for a significant period of time. Remediation may be costly and we may not have adequate insurance to cover such costs. Moreover, the costs of enhancing infrastructure to attain improved stability and redundancy may be time consuming and expensive and may require resources and expertise that are difficult to obtain.

Our processing, storage and use personal information and other data exposes us to risks stemming external and internal security breaches and failure to comply with governmental regulation, which could give rise to liabilities.

There are numerous laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other consumer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. Any failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to users or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements that could harm our reputation and cause our customers and members to lose trust in us, which could have an adverse effect on our business, brand, market share and results of operations.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The U.S. Congress and federal agencies, including the Federal Trade Commission and the Department of Commerce, are reviewing the need for greater regulation for the collection and use of information concerning consumer behavior on the Internet. U.S. courts are also considering the applicability of existing federal and state statutes, including computer trespass and wiretapping laws, to the collection and exchange of information online. In addition, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies, including us, with users in Europe and increased costs of compliance.

Potential security breaches to our systems, whether resulting from internal or external sources, could significantly harm our business. A party, whether internal or external, that is able to circumvent our security systems could misappropriate user information or proprietary information or cause significant interruptions in our operations. In the past, we have experienced “denial-of-service” type attacks on our systems that have made portions of our websites unavailable for short periods of time as well as unauthorized access of our systems and data. We may need to expend significant resources to protect against security breaches or to address problems

caused by breaches, and reductions in website availability could cause a loss of substantial business volume during the occurrence of any such incident. Because the techniques used to sabotage security change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventive measures. Security breaches could result in negative publicity, damage to reputation, exposure to risk of loss or litigation and possible liability due to regulatory penalties and sanctions. Security breaches could also cause travelers and potential users to lose confidence in our security, which would have a negative effect on the value of our brand. Failure to adequately protect against attacks or intrusions, whether for our own systems or systems of vendors, could expose us to security breaches that could have an adverse impact on financial performance.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Much of our business is conducted with third party marketing affiliates, which may generate travel reservations through our infrastructure or through our systems. In addition, we frequently use third parties to process credit card payments. A security breach at such third party could be perceived by consumers as a security breach of our systems and could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements, which could expose us to liability.

If the businesses we have acquired or invested in do not perform as expected or we are unable to effectively integrate acquired businesses, our operating results and prospects could be harmed.

We have acquired a number of businesses in the past, and our future growth may depend, in part, on future acquisitions, any of which could be material to our financial condition and results of operations. Certain financial and operational risks related to acquisitions that may have a material impact on our business are:

- Use of cash resources and incurrence of debt and contingent liabilities in funding acquisitions may limit other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- Use of cash resources and incurrence of debt and contingent liabilities in funding acquisitions may limit other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- Amortization expenses related to acquired intangible assets and other adverse accounting consequences;
- Expected and unexpected costs incurred in identifying and pursuing acquisitions, and performing due diligence on potential acquisition targets that may or may not be successful;
- Diversion of management's attention or other resources from our existing business;
- Difficulties and expenses in integrating the operations, products, technology, privacy protection systems, information systems or personnel of the acquired company;
- Impairment of relationships with employees, suppliers and affiliates of our business and the acquired business;
- The assumption of known and unknown debt and liabilities of the acquired company;
- Failure of the acquired company to achieve anticipated traffic, revenues, earnings or cash flows or to retain key management or employees;
- Failure to generate adequate returns on acquisitions and investments;
- Entrance into markets in which we have no direct prior experience and increased complexity in our business;
- Impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions; and
- Adverse market reaction to acquisitions.

Moreover, we rely heavily on the representations and warranties provided to us by the sellers of acquired companies, including as they relate to creation, ownership and rights in intellectual property and compliance with laws and contractual requirements. Our failure to address these risks or other problems encountered in connection with past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally.

We are currently relying on the “controlled company” exemption under NASDAQ Stock Market Listing Rules, pursuant to which “controlled companies” are exempt from certain corporate governance requirements otherwise applicable under NASDAQ listing rules.

The NASDAQ Stock Market Listing Rules exempt “controlled companies,” or companies of which more than 50% of the voting power is held by an individual, a group or another company, from certain corporate governance requirements, including those requirements that:

- A majority of the Board of Directors consist of independent directors;
- Compensation of officers be determined or recommended to the Board of Directors by a majority of its independent directors or by a compensation committee comprised solely of independent directors; and
- Director nominees be selected or recommended to the Board of Directors by a majority of its independent directors or by a nominating committee that is composed entirely of independent directors.

We currently rely on the controlled company exemption from the above requirements. Accordingly, our stockholders will not be afforded the same protections generally as stockholders of other NASDAQ-listed companies with respect to corporate governance for so long as we rely on these exemptions from the corporate governance requirements.

If we are unable to successfully maintain effective internal control over financial reporting, investors may lose confidence in our reported financial information and our stock price and business may be adversely impacted.

As a public company, we are required to maintain internal control over financial reporting and our management is required to evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year. Additionally, we are required to disclose in our Annual Reports on Form 10-K our management’s assessment of the effectiveness of our internal control over financial reporting and a registered public accounting firm’s attestation report on this assessment. If we are not successful in maintaining effective internal control over financial reporting, there could be inaccuracies or omissions in the consolidated financial information we are required to file with the SEC. Additionally, even if there are no inaccuracies or omissions, we could be required to publicly disclose the conclusion of our management that our internal control over financial reporting or disclosure controls and procedures are not effective. These events could cause investors to lose confidence in our reported financial information, adversely impact our stock price, result in increased costs to remediate any deficiencies, attract regulatory scrutiny or lawsuits that could be costly to resolve and distract management’s attention, limit our ability to access the capital markets or cause our stock to be delisted from The NASDAQ Global Select Market or any other securities exchange on which we are then listed.

The market price and trading volume of our common stock may be volatile and may face negative pressure.

Our stock price has experienced, and could continue to experience in the future, substantial volatility. The market price of our common stock is affected by a number of factors, including the risk factors described in this section and other factors beyond our control. Factors affecting the trading price of our common stock could include:

- Quarterly variations in our or our competitors’ results of operations;
- Changes in earnings estimates or recommendations by securities analysts;
- Failure to meet market expectations;

- The announcement of new products or product enhancements by us or our competitors;
- Repurchases of our common stock pursuant to our share repurchase program which could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock;
- Developments in our industry, including changes in governmental regulations; and
- General market conditions and other factors, including factors related to our operating performance or the operating performance of our competitors.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations and general economic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock regardless of our actual operating performance.

Future sales of shares of our common stock in the public market, or the perception that such sales may occur, may depress our stock price.

For the period ended December 31, 2013, the average daily trading volume of our common stock on The NASDAQ Global Select Market was approximately 1.9 million shares. If our existing stockholders or their distributees sell substantial amounts of our common stock in the public market, the market price of the common stock could decrease significantly. The perception in the public market that our existing stockholders might sell shares of common stock could also depress the trading price of our common stock. In addition, certain stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If Liberty or some other stockholder sells substantial amounts of our common stock in the public market, or if there is a perception in the public market that Liberty might sell shares of our common stock, the market price of our common stock could decrease significantly. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control of our company or changes in our Board of Directors that our stockholders might consider favorable. Some of these provisions:

- Authorize the issuance of preferred stock which can be created and issued by the Board of Directors without prior stockholder approval, with rights senior to those of our common stock; and
- Prohibit our stockholders from filling board vacancies or calling special stockholder meetings.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then-current Board of Directors, including a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease approximately 119,000 square feet for our corporate headquarters in Newton, Massachusetts, pursuant to a lease with an expiration date of April 2015. In addition, in June 2013 we entered into an additional lease for an approximately 280,000 square foot rental building which will be built in Needham, Massachusetts by the lessor and will serve as our new corporate headquarters in conjunction with the expiration of our current lease. Refer to “Note 12—*Commitments and Contingencies*” in the notes to our consolidated and combined financial statements for further information on our future corporate headquarters.

We also lease an aggregate of approximately 382,000 square feet at approximately 30 other locations across North America, Europe and Asia Pacific, primarily for our international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through December 2030.

We believe that our current facilities are adequate for our current operations and that additional leased space can be obtained on reasonable terms if needed. We do not legally own any real estate as of December 31, 2013.

Item 3. Legal Proceedings

In the ordinary course of business, we and our subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant’s business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that TripAdvisor and our subsidiaries are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which would have a material adverse effect on us.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market Information

Our common stock is quoted on the Nasdaq Global Select Market, or NASDAQ, under the ticker symbol “TRIP.” On February 6, 2014, the closing price of our common stock reported on NASDAQ was \$77.14 per share.

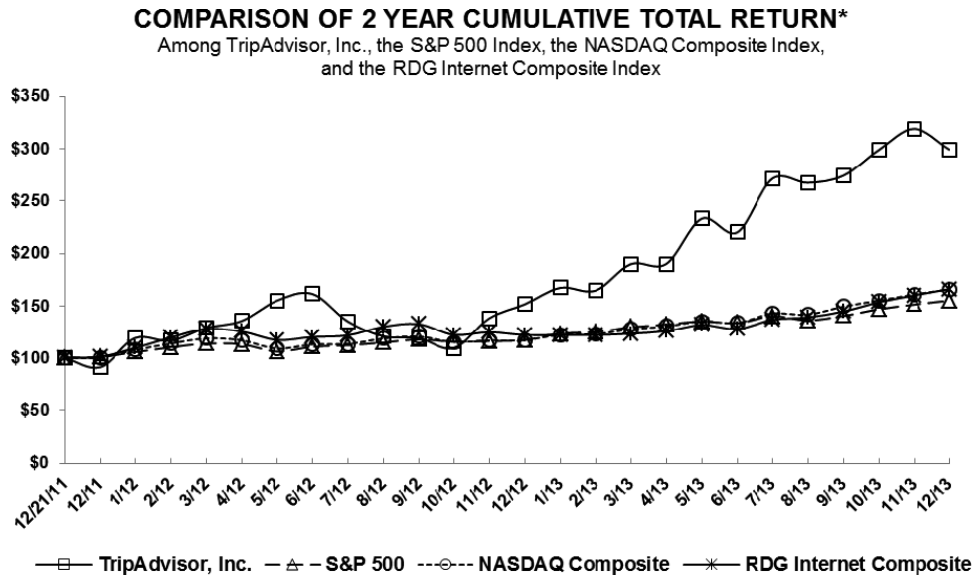
Our Class B common stock is not listed and there is no established public trading market for that security. As of February 6, 2014, all of our Class B common stock was held by Liberty.

The following table sets forth, for the periods indicated, the high and low sale prices per share of our common stock as reported on NASDAQ during the period indicated.

	<u>High</u>	<u>Low</u>
Year ended December 31, 2013:		
Fourth Quarter 2013:	\$90.43	\$68.11
Third Quarter 2013:	\$82.19	\$59.54
Second Quarter 2013:	\$65.41	\$48.18
First Quarter 2013:	\$53.73	\$42.04
Year ended December 31, 2012:		
Fourth Quarter 2012:	\$47.00	\$28.63
Third Quarter 2012:	\$47.81	\$31.71
Second Quarter 2012:	\$46.30	\$33.23
First Quarter 2012:	\$36.86	\$24.57

Performance Comparison Graph

The following graph provides a comparison of the total stockholder return from December 21, 2011 to December 31, 2013 of an investment of \$100 in cash on December 21, 2011 for TripAdvisor, Inc. common stock and an investment of \$100 in cash on November 30, 2011 for (i) the Standard and Poor’s 500 Index (the “S&P 500 Index”), (ii) the NASDAQ Composite Index, and (iii) the Research Data Group (“RDG”) Internet Composite Index. The RDG Internet Composite Index is an index of stocks representing the Internet industry, including Internet software and service companies and e-commerce companies. The stock price performance shown on the graph below is not necessarily indicative of future price performance. Data for the S&P 500 Index, the NASDAQ Composite Index, and the RDG Internet Composite Index assume reinvestment of dividends. We have never paid dividends on our common stock.



*\$100 invested on 12/21/11 in stock or 11/30/11 in index, including reinvestment of dividends.
Fiscal year ending December 31.

Copyright© 2014 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

This performance comparison graph is not “soliciting material,” is not deemed filed with the Securities and Exchange Commission and is not deemed to be incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing of TripAdvisor, Inc. under the Securities Act of 1933, as amended (the “Securities Act”), or any filing under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate this information by reference into any such filing, and will not otherwise be deemed incorporated by reference into any other filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference.

Holder of Record

As of February 6, 2014, there were 129,432,796 outstanding shares of our common stock held by 3,150 stockholders of record, and 12,799,999 outstanding shares of our Class B common stock held by one stockholder of record: Liberty.

Dividends

We have never declared or paid dividends and do not expect to pay any dividends for the foreseeable future. Our ability to pay dividends is limited by the terms of a credit agreement, dated as of December 20, 2011, that provides for a revolving credit facility and a term loan. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our Board of Directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors may deem relevant.

Unregistered Sales of Equity Securities

During the year ended December 31, 2013, we did not issue or sell any shares of our common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act.

Issuer Purchases of Equity Securities

In February 2013, we announced that our Board of Directors authorized the repurchase of \$250 million of shares of our common stock under a share repurchase program. We intend to use available cash and future cash from operations to fund repurchases under the share repurchase program. The repurchase program has no expiration date but may be suspended or terminated by the Board of Directors at any time. Our Board of Directors will determine the price, timing, amount and method of such repurchases based on its evaluation of market conditions and other factors, and any shares repurchased will be in compliance with applicable legal requirements, at prices determined to be attractive and in the best interests of both the company and its stockholders.

During the three months ended December 31, 2013, we repurchased 37,000 shares of outstanding common stock under the share repurchase program at an average price of \$78.35 per share. Below is a summary of our common stock repurchases during the fourth quarter of 2013, the average price paid as well as the U.S. dollar value of shares that may still be purchased as of December 31, 2013:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (1)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1 to October 31	37,000	\$78.35	37,000	\$104,779,230
November 1 to November 30	—	—	—	104,779,230
December 1 to December 31	—	—	—	104,779,230
Total	<u>37,000</u>		<u>37,000</u>	

(1) These amounts include fees and commissions associated with the share repurchase.

Equity Compensation Plan Information

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12. of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

We have derived the following selected financial data presented below from our consolidated and combined financial statements and related notes. The information set forth below is not necessarily indicative of future results and should be read in conjunction with the consolidated and combined financial statements and related notes appearing in Item 8 “Financial Statements and Supplementary Data” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K. Historical results are not necessarily indicative of the results to be expected in any future period. The financial statements and related financial information pertaining to the periods preceding December 21, 2011 have been presented on a combined basis and reflect the results of TripAdvisor that were ultimately transferred to us as part of the Spin-Off.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share data)				
Consolidated and Combined Statements of Operations					
Data:					
Revenue	\$727,236	\$559,215	\$426,045	\$313,525	\$212,375
Revenue from Expedia	217,425	203,751	211,018	171,110	139,714
Total revenue	944,661	762,966	637,063	484,635	352,089
Operating income	294,574	296,296	272,757	226,300	168,178
Net Income	205,443	194,588	177,791	138,954	102,215
Net income attributable to TripAdvisor, Inc.	205,443	194,069	177,677	138,776	102,427
Net income per share attributable to TripAdvisor, Inc. available to common shareholders:					
Basic (1)	\$ 1.44	\$ 1.39	\$ 1.33	\$ 1.04	\$ 0.77
Diluted (1)	1.41	1.37	1.32	1.04	0.77
Shares used in computing net income per share:					
Basic (1)	142,854	139,462	133,461	133,461	133,461
Diluted (1)	145,263	141,341	134,865	133,461	133,461

	December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents, short and long term marketable securities (2)	\$ 670,706	\$ 585,733	\$183,532	\$ 93,133	\$ 31,364
Working capital (deficit) (2)(3)	387,396	436,854	151,792	34,112	(78,560)
Total assets (2)	1,473,014	1,299,194	835,886	722,889	574,826
Long-term debt, less current portion (4)	300,000	340,000	380,000	—	—
Other long-term obligations under build to suit lease	7,877	—	—	—	—
Total stockholders’ equity and invested equity (5)	864,480	726,968	293,537	539,632	389,914

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Other Financial Data:					
Adjusted EBITDA (6)	\$378,753	\$352,474	\$322,918	\$260,963	\$197,219

- (1) See “Note 2—*Significant Accounting Policies*” in the notes to the consolidated and combined financial statements in Item 8 below regarding our calculation of earnings per share numbers.
- (2) Includes one-time exercise proceeds of \$215 million related to stock warrant exercises for the year ended December 31, 2012. See “Note 4—*Stock Based Awards and Other Equity Instruments*” in the notes to the consolidated and combined financial statements in Item 8 below for additional information on our equity based instruments.

- (3) Amount does not include available for sale long-term marketable securities of \$188 million and \$99 million, as of December 31, 2013 and 2012, respectively.
- (4) See “Note 8—*Debt*” in the notes to the consolidated and combined financial statements for information regarding our long-term debt.
- (5) See our consolidated and combined statements of changes in stockholders’ equity and “Note 14—*Stockholders’ Equity*” in the notes to the consolidated and combined financial statements in Item 8 below for additional information on changes to our stockholders’ equity and invested capital.
- (6) To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA, a non-GAAP financial measure, within this Annual Report on Form 10-K. Adjusted EBITDA is the primary metric by which management evaluates the performance of our business and on which internal budgets are based. We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) depreciation of property and equipment, including internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation; and (6) non-recurring expenses. Such amounts are detailed below. See a discussion of “Adjusted EBITDA” in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” within this Annual Report on Form 10-K.

We have provided a reconciliation below of Adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Adjusted EBITDA	\$378,753	\$352,474	\$322,918	\$260,963	\$197,219
Depreciation (1)	(29,495)	(19,966)	(18,362)	(12,871)	(9,330)
Amortization of intangible assets	(5,731)	(6,110)	(7,523)	(14,609)	(13,806)
Stock-based compensation	(48,953)	(30,102)	(17,344)	(7,183)	(5,905)
Spin-Off costs	—	—	(6,932)	—	—
Other expense, net	(9,872)	(14,321)	(863)	(1,885)	(1,638)
Provision for income taxes	(79,259)	(87,387)	(94,103)	(85,461)	(64,325)
Net income	<u>\$205,443</u>	<u>\$194,588</u>	<u>\$177,791</u>	<u>\$138,954</u>	<u>\$102,215</u>

- (1) Includes amortization of internal use software and website development costs.

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

Overview

TripAdvisor is the world’s largest online travel company. Our mission is to help people around the world plan and have the perfect trip by giving them access to the reviews and opinions of the millions of travelers who make up our global online community. TripAdvisor aggregates reviews and opinions about destinations, accommodations (including hotels, B&Bs, specialty lodging and vacation rentals), restaurants and activities throughout the world. Our platform also enables consumers to book hotels, vacation rentals, airline tickets, vacation packages, destination services and even cruises.

Our branded websites include tripadvisor.com in the United States and localized versions of the website in 33 other countries, including China under the brand daodao.com. Our TripAdvisor-branded websites globally reached more than 260 million monthly unique visitors during the year ended December 31, 2013, according to Google Analytics. We feature over 125 million reviews and opinions on more than 775,000 hotels and accommodations and approximately 550,000 vacation rentals—as well as more than 2 million restaurants and 400,000 attractions in 139,000 destinations throughout the world. Beyond travel-related content, our websites also include links to the websites of our customers, including travel advertisers, allowing travelers to directly book their travel arrangements. In addition to the flagship TripAdvisor brand, we now manage and operate 20 other travel media brands, connected by the common goal of providing comprehensive travel planning resources across the travel sector.

Executive Summary

At present, our financial results are principally dependent on our ability to grow click-based advertising revenue. We continue to invest in areas of potential click-based revenue growth, including international and mobile initiatives, while also investing in our Display-based advertising, Business Listings and Vacation Rentals businesses. We aim to leverage our position as the largest online travel company to become an increasingly important partner for advertisers—including hoteliers, online travel agencies and other travel-related service providers—by providing our customers with access to a large audience of highly-qualified, highly-engaged users. The key drivers of our click-based and display-based advertising revenue are described below, as well as a summary of our key growth areas and the current trends impacting our business.

Key Drivers of Click-Based Advertising Revenue

For the years ended December 31, 2013, 2012 and 2011, 74%, 77% and 79%, respectively, of our total revenue came from our core CPC-based lead generation product. The key drivers of our click-based advertising revenue include the growth in monthly unique hotel shoppers and revenue per hotel shopper.

- *Hotel shoppers:* Total traffic growth, or growth in monthly visits from unique visitors, is reflective of our overall brand growth. We track and analyze sub-segments of traffic and their correlation to revenue generation and utilize hotel shoppers as an indicator of revenue growth. We use the term “hotel shoppers” to refer to users who view a listing of hotels in a city or visitors who view a specific hotel page. Hotel shoppers tend to be seasonal and also tend to vary based on general economic conditions. Our number of hotel shoppers increased 36% for the year ended December 31, 2013 over 2012 and increased 32% for the year ended December 31, 2012 over 2011, according to our log files.
- *Revenue per hotel shopper:* Revenue per hotel shopper is a metric we use to analyze how effectively we are able to monetize hotel shoppers based on a combination of user conversion and pricing. User conversion is a measure of how many hotel shoppers ultimately click on a CPC link that generates revenue for us. User conversion on our site is primarily driven by three factors: merchandising, commerce coverage and choice. We define merchandising as the number and location of ads that are available on a page; we define commerce coverage as whether we have a client who can take an online booking for a particular property; and we define choice as the number of clients available for any given

property, allowing the user to shop for the best price. Pricing is the effective CPC that online travel agencies and hoteliers are willing to pay us for a hotel shopper lead. Revenue per hotel shopper decreased 13% for the year ended December 31, 2013 in comparison to 2012, and decreased 8% for the year ended December 31, 2012 in comparison to 2011, according to our log files.

In summary, our CPC revenue depends on the number of hotel shoppers that are interested in a property, whether there is a commerce link available for that hotel shopper to click on for that property, whether there are several commerce choices available for that property so the hotel shopper has the benefit of pricing and availability from multiple sources and what our customers are willing to pay us for the lead.

Key Drivers of Display-Based Advertising Revenue

For the years ended December 31, 2013, 2012 and 2011, 13%, 12% and 13%, respectively, of our total revenue came from our display-based advertising product. The key drivers of our display-based advertising revenue include the growth in number of impressions, or the number of times an ad is displayed on our site, and the cost per thousand impressions, or CPM. Our number of impressions sold increased 34% for the year ended December 31, 2013 over 2012 and increased 6% for the year ended December 31, 2012 over 2011, while pricing decreased 5% for the year ended December 31, 2013 over 2012 and increased 1% for the years ended December 31, 2012 over 2011, according to our customer logs.

Key Growth Areas

We continue to invest in areas of potential growth, including our social, mobile and global initiatives as well as our Business Listings and Vacation Rentals products.

Mobile. Mobile is an investment area that is geared towards creating a more complete user experience by reinforcing the TripAdvisor brand when users are in-market. In the year ended December 31, 2013, we saw strong mobile user uptake, as aggregate downloads of our TripAdvisor, City Guides, SeatGuru, Jetsetter and GateGuru mobile apps reached 82 million downloads and average monthly unique visitors via smartphone and tablet devices grew over 170% year-over-year from 32 million to 87 million, according to company logs. We believe that travelers will increasingly use mobile devices, including smartphones and tablets, to conduct travel research and planning.

Social. Our Wisdom of Friends initiative is a core component of our strategic growth plan. We believe that having a strong social presence improves engagement on our sites and improves the sites' "stickiness" amongst the users. As a result, we continue to deepen our integration with Facebook. As of December 31, 2013, and according to AppData, an independent application tracking traffic service, TripAdvisor has averaged over 36 million monthly Facebook users via its TripAdvisor Facebook application. We offer these Facebook users a more personalized and social travel planning experience that enables travelers to engage with their own Facebook friends' reviews and opinions when planning their perfect trip on TripAdvisor.

Business Listings. Created in early 2010, our Business Listings product enables hotel and accommodation owners to list pertinent property information on TripAdvisor, bringing them closer to potential customers and thereby increasing direct bookings. In the year ended December 31, 2013, we grew our Business Listings customer base over 38% to 69,000 subscribers, representing approximately 9% of our current hotel and accommodation listings on TripAdvisor branded sites. We continue to expand our sales force and improve features to grow our subscriber base.

Vacation Rentals. As of December 31, 2013, we had amassed an inventory of approximately 550,000 properties, up more than 80% during the year, across our TripAdvisor Vacation Rentals, U.S.-based FlipKey, and European-based Holiday Lettings and Niumba. We offer individual property owners and property managers the ability to list using a subscription-based fee structure or a free-to-list, commission-based option and we believe our highly-engaged and motivated user community creates a competitive advantage for us in this market.

Current Trends Affecting Our Business

Increasing Competition. The travel review industry and, more generally, the business of collecting and aggregating travel-related resources and information, continue to be increasingly competitive. In recent years, an increasing number of companies, such as search companies Google, Inc. and Baidu.com, Inc. and several large online travel agencies, have begun to collect and aggregate travel information and resources. We plan to continue to invest in order to remain the leading source of travel reviews as well as continuing to enhance our content and user experience. Refer to our discussion above in “—Competition” in Item 1 “Business” section for additional information on our competition.

Increasing Use of Internet and Social Media to Access Travel Information. Commerce, information and advertising continue to migrate to the Internet and away from traditional media outlets. We believe that this trend will continue to create strategic growth opportunities, allowing us to attract new consumers and develop unique and effective advertising solutions. Consumers are increasingly using online social media channels, such as Facebook and Twitter, as a means to communicate and exchange information, including travel information and opinions. We have made significant efforts related to social networking in order to leverage the expanding use of this channel and enhance traffic diversification and user engagement. We are also continually adapting our user experience in response to a changing Internet environment and usage trends. For example, in 2012, we invested in building and introducing to users hotel metasearch functionality for our smartphone platforms and in 2013, we completed the process of implementing hotel metasearch functionality on our desktop and tablet platforms. Refer to our metasearch discussion above under “Improving the Hotel Shopper Experience” in the “Our Strategy” section in Item 1 “Business” for additional information on our hotel metasearch transition.

Increasing Mobile Usage. Users are increasingly using smartphone and tablet computing devices to access the Internet. To address these growing user demands, we continue to extend our platform to develop smartphone and tablet applications to deliver travel information and resources. Although the substantial majority of our smartphone users also access and engage with our websites on personal computers and tablets where we display advertising, our users could decide to access our products primarily through smartphone devices. We have just begun to display graphic advertising on smartphones, however, our smartphone monetization strategies are still developing, as smartphone monetization was less than 20% of desktop monetization of hotel shoppers during the year ended December 31, 2013 while tablets monetize more closely to desktops. Mobile growth and development remains a key strategy and we will continue to invest and innovate in this growing platform to help us maintain and grow our user base, engagement and monetization over the long term.

Click-Based Advertising Revenue. In recent years, the majority of our revenue growth resulted from higher click-based advertising revenue due to increased traffic on our websites and an increase in the volume of clicks on our advertisers’ placements. Although click-based advertising revenue growth has generally been driven by traffic volume, we remain focused on the various factors that could impact revenue growth, including, but not limited to, the growth in hotel shoppers, CPC pricing fluctuations, the overall economy, the ability of advertisers to monetize our traffic, the quality and mix of traffic to our websites, and the quality and mix of traffic from our advertising placements to advertisers, as well as advertisers’ evolving approach to transaction attribution models and return on investment targets. We monitor and regularly respond to changes in these factors in order to strategically improve our user experience, customer satisfaction and monetization in this dynamic environment. For example, in order to improve user experience, we introduced metasearch functionality to our hotel shoppers as discussed above under “Improving the Hotel Shopper Experience” in the “Our Strategy” section in Item 1 “Business.”

Spin-Off

During 2011, Expedia, Inc., or Expedia, announced its plan to separate into two independent public companies in order to better achieve certain strategic objectives of its various businesses. We refer to this transaction as the “Spin-Off.” On December 20, 2011, following the close of trading on the NASDAQ Global Select Market (“NASDAQ”), the Spin-Off was completed, and TripAdvisor began trading as an independent

public company on December 21, 2011. Expedia effected the Spin-Off by means of a reclassification of its capital stock that resulted in the holders of Expedia capital stock immediately prior to the time of effectiveness of the reclassification having the right to receive a proportionate amount of TripAdvisor capital stock. In connection with the Spin-Off, Expedia contributed or transferred all of the subsidiaries and assets relating to Expedia's TripAdvisor Media Group to TripAdvisor and TripAdvisor assumed all of the liabilities relating to Expedia's TripAdvisor Media Group.

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia have entered into various agreements, including, among others, the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and Transition Services Agreement, and commercial agreements. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and the Transition Services Agreement are incorporated by reference in this Annual Report on Form 10-K as Exhibits 2.1, 10.2, 10.3 and 10.4. TripAdvisor has satisfied its obligations under the Separation Agreement, the Employee Matters Agreement and the Transition Services Agreement. TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement.

Segment

We have one operating and reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions, evaluates operating performance and allocates resources. The chief operating decision maker for the company is our Chief Executive Officer.

Results of Operations
Selected Financial Data
(in thousands, except per share data)

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Revenue	\$727,236	\$559,215	\$426,045	30%	31%
Revenue from Expedia	217,425	203,751	211,018	7%	(3)%
Total revenue	944,661	762,966	637,063	24%	20%
Costs and expenses:					
Cost of revenue (exclusive of amortization) (1)	17,714	12,074	10,873	47%	11%
Selling and marketing (2)	368,353	266,239	209,176	38%	27%
Technology and content (2)	130,673	86,640	57,448	51%	51%
General and administrative (2)	98,121	75,641	44,770	30%	69%
Depreciation	29,495	19,966	18,362	48%	9%
Amortization of intangible assets	5,731	6,110	7,523	(6)%	(19)%
Shared services fee with Expedia	—	—	9,222	— %	(100)%
Spin-off costs	—	—	6,932	— %	(100)%
Total costs and expenses	650,087	466,670	364,306	39%	28%
Operating income	294,574	296,296	272,757	(1)%	9%
Other income (expense):					
Interest income	1,738	510	808	241%	(37)%
Interest expense	(10,074)	(11,381)	(417)	(11)%	2,629%
Other, net	(1,536)	(3,450)	(1,254)	(55)%	175%
Total other expense, net	(9,872)	(14,321)	(863)	(31)%	1,559%
Income before income taxes	284,702	281,975	271,894	1%	4%
Provision for income taxes	(79,259)	(87,387)	(94,103)	(9)%	(7)%
Net income	205,443	194,588	177,791	6%	9%
Net (income) loss attributable to noncontrolling interest	—	(519)	(114)	(100)%	355%
Net income attributable to TripAdvisor, Inc.	<u>\$205,443</u>	<u>\$194,069</u>	<u>\$177,677</u>	6%	9%
Earnings per share attributable to TripAdvisor, Inc.:					
Basic	\$ 1.44	\$ 1.39	\$ 1.33	4%	5%
Diluted	\$ 1.41	\$ 1.37	\$ 1.32	3%	4%
Weighted average common shares outstanding:					
Basic	142,854	139,462	133,461	2%	4%
Diluted	145,263	141,341	134,865	3%	5%
Other financial data:					
Adjusted EBITDA (3)	\$378,753	\$352,474	\$322,918	7%	9%

(1) Excludes amortization as follows:

Amortization of acquired technology included in amortization of intangibles	\$ 949	\$ 708	\$ 578
Amortization of website development costs included in depreciation	19,602	12,816	12,438
	<u>\$ 20,551</u>	<u>\$ 13,524</u>	<u>\$ 13,016</u>

(2) Includes stock-based compensation as follows:

Selling and marketing	\$ 10,643	\$ 4,622	\$ 3,216
Technology and content	21,053	11,400	3,931
General and administrative	17,257	14,080	10,197

(3) See “Adjusted EBITDA” discussion below for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA in this Annual Report on Form 10-K, a non-GAAP financial measure. We have provided reconciliations below of Adjusted EBITDA to net income, the most directly comparable GAAP financial measure. A “non-GAAP financial measure” refers to a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in such company’s financial statements.

We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) depreciation of property and equipment, including internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation; and (6) non-recurring expenses. Adjusted EBITDA is the primary metric by which management evaluates the performance of its business and on which internal budgets are based. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis. Adjusted EBITDA eliminates items that are either not part of our core operations, such as non-recurring expenses, or those costs that do not require a cash outlay, such as stock-based compensation. Adjusted EBITDA also excludes depreciation and amortization expense, which is based on our estimates of the useful life of tangible and intangible assets. These estimates could vary from actual performance of the asset, are based on historical costs and other factors and may not be indicative of current or future capital expenditures. We believe that by excluding certain items, such as stock-based compensation and non-recurring expenses, Adjusted EBITDA corresponds more closely to the cash that operating income generated from our business and allows investors to gain an understanding of the factors and trends affecting the ongoing cash earnings capabilities of our business, from which capital investments are made and debt is serviced.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

The following table is a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Year ended December 31,		
	2013	2012	2011
	(in thousands)		
Adjusted EBITDA	\$378,753	\$352,474	\$322,918
Depreciation (1)	(29,495)	(19,966)	(18,362)
Amortization of intangible assets	(5,731)	(6,110)	(7,523)
Stock-based compensation	(48,953)	(30,102)	(17,344)
Spin-off costs	—	—	(6,932)
Other expense, net	(9,872)	(14,321)	(863)
Provision for income taxes	(79,259)	(87,387)	(94,103)
Net income	205,443	194,588	177,791

(1) Includes amortization of internal use software and website development costs.

Reclassifications

Certain reclassifications have been made to conform the prior period's data to the current format. These reclassifications had no net effect on our consolidated and combined financial statements and were not material.

Revenue

We derive substantially all of our revenue through the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. In addition, we earn revenue through a combination of subscription-based offerings related to our Business Listings and Vacation Rentals products, transaction revenue from selling room nights on our transactional sites, and other revenue including content licensing.

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(in millions)				
Click-based advertising	\$696	\$588	\$500	18%	18%
Display-based advertising	119	94	86	26%	10%
Subscription, transaction and other	130	81	51	60%	58%
Total revenue	<u>\$945</u>	<u>\$763</u>	<u>\$637</u>	24%	20%

2013 vs. 2012

Revenue increased \$182 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to an increase in click-based advertising revenue of \$108 million. The primary driver of the increase in click-based advertising revenue was an increase in hotel shoppers of 36% for the year ended December 31, 2013, partially offset by lower revenue per hotel shopper of 13% for the year ended December 31, 2013, primarily due to a combination of lower user conversion related to our transition to hotel metasearch, growth in hotel shoppers on smartphones, which have a lower monetization rate than desktops and tablets, and growth in emerging international markets that are currently monetizing at lower levels than our mature markets. Display-based advertising increased by \$25 million during the year ended December 31, 2013, primarily as a result of a 34% increase in the number of impressions sold due to increased sales productivity coupled with our new Delayed Ad Call product, and worldwide growth particularly in emerging markets when compared to the same period in 2012, partially offset by a decrease in pricing by 5% for the year ended December 31, 2013. Subscription, transaction and other revenue increased by \$49 million during the year ended December 31, 2013, primarily due to growth in our Business Listings and Vacation Rentals products.

2012 vs. 2011

Revenue increased \$126 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to an increase in click-based advertising revenue of \$88 million. The primary driver of the increase in click-based advertising revenue was an increase in hotel shoppers during the year ended December 31, 2012, when compared to the same period for 2011, of 32%, partially offset by lower revenue per hotel shopper of 8% for the year ended December 31, 2012, primarily due to lower clicks per hotel shopper due to our site redesign in September 2011. Display-based advertising increased by \$8 million during the year ended December 31, 2012, primarily as a result of a 6% increase in the number of impressions sold when compared to the same period in 2011, and an increase in pricing by 1% for the year ended December 31, 2012. Subscription, transaction and other revenue increased by \$30 million during the year ended December 31, 2012, primarily due to growth in our Business Listings and Vacation Rentals products.

The following table presents our revenue by geographic region, which reflects how we measure our business internally. Revenue by geography is based on the location of our websites:

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
North America (1)	\$494	\$409	\$360	21%	13%
EMEA (2)	291	240	218	21%	10%
APAC (3)	122	82	46	49%	80%
LATAM (4)	38	32	13	20%	137%
Total revenue	<u>\$945</u>	<u>\$763</u>	<u>\$637</u>	24%	20%

(1) United States and Canada*

(2) Europe, Middle East and Africa

(3) Asia-Pacific

(4) Latin America

* Included in international revenue for discussion purposes.

International revenue increased \$105 million and \$88 million during the years ended December 31, 2013 and 2012, respectively, compared to the same periods in 2012 and 2011. International revenue represented 51%, 49%, and 45% of total revenue during the years ended December 31, 2013, 2012, and 2011, respectively. The increase in international revenue, in absolute dollars and as a percentage of total revenue, is primarily due to additional investment in international expansion and growth in international hotel shoppers.

In addition to the above product revenue discussion, Revenue from Expedia, which consists primarily of click-based advertising, is as follows:

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Revenue from Expedia	\$ 217	\$ 204	\$ 211	7%	(3)%
% of revenue	23.0%	26.7%	33.1%		

2013 vs. 2012

Revenue from Expedia increased \$13 million during the year ended December 31, 2013, respectively, when compared to the same period in 2012, primarily due to lower click volume sent to Expedia, primarily related to our transition to hotel metasearch which was more than offset by higher CPC pricing paid by Expedia during this time period. For information on our relationship with Expedia refer to “Note 15—Related Party Transactions” in the notes to our consolidated and combined financial statements.

2012 vs. 2011

Revenue from Expedia decreased \$7 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to lower CPC pricing paid by Expedia, partially offset by higher click volume sent to Expedia in 2012.

Cost of Revenue

Cost of revenue consists of expenses that are closely correlated or directly related to revenue generation, including ad serving fees, flight search fees, credit card fees and data center costs.

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Cost of revenue	\$ 18	\$ 12	\$ 11	47%	11%
% of revenue	1.9%	1.6%	1.7%		

2013 vs. 2012

Cost of revenue increased \$6 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to increased data center costs, driven by higher site traffic and merchant credit card fees.

2012 vs. 2011

Cost of revenue increased \$1 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to increased merchant credit card fees.

Selling and Marketing

Sales and marketing expenses primarily consist of direct costs, including search engine marketing, or SEM, other traffic acquisition costs, syndication costs and affiliate program commissions, brand advertising and public relations. In addition, our indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Direct costs	\$ 243	\$ 177	\$ 137	38%	29%
Personnel and overhead	125	89	72	40%	25%
Total selling and marketing	<u>\$ 368</u>	<u>\$ 266</u>	<u>\$ 209</u>	38%	27%
% of revenue	39.0%	34.9%	32.8%		

2013 vs. 2012

Direct selling and marketing costs increased \$66 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to increased SEM costs, other traffic acquisition costs and brand advertising costs, including offline advertising, partially offset by a decrease in spending in social media costs. Personnel and overhead costs increased \$36 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to an increase in headcount to support business growth, including international expansion and employees joining us through recent business acquisitions, and also increased stock-based compensation costs.

2012 vs. 2011

Direct selling and marketing costs increased \$40 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to increased search engine marketing costs, brand advertising costs and investments in social media costs. We increased our spending on social media in the year ended December 31, 2012 compared to the same period in 2011, in order to increase social engagement on our websites. Personnel and overhead costs increased \$17 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to an increase in headcount to support business growth, including international expansion.

Technology and Content

Technology and content expenses consist of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites. Other costs include licensing and maintenance expense.

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Personnel and overhead	\$ 121	\$ 80	\$ 51	51%	56%
Other	10	7	6	45%	7%
Total technology and content	<u>\$ 131</u>	<u>\$ 87</u>	<u>\$ 57</u>	51%	51%
% of revenue	<u>13.8%</u>	<u>11.4%</u>	<u>9.0%</u>		

2013 vs. 2012

Technology and content costs increased \$44 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to increased personnel costs from increased headcount to support business growth, including international expansion, enhanced site features, extending our products onto smartphone and tablet platforms, and development of our hotel metasearch product, as well as an increase in stock based compensation and additional personnel costs related to employees joining us through recent business acquisitions.

2012 vs. 2011

Technology and content costs increased \$30 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to increased personnel costs from increased headcount to support business growth, including international expansion, enhanced site features, extending our products onto smartphone and tablet platforms, and development of our hotel metasearch product, as well as an increase in stock based compensation.

General and Administrative

General and administrative expense consists primarily of personnel and related overhead costs, including executive leadership, finance, legal and human resource functions and stock-based compensation as well as professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense and our charitable foundation costs.

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(\$ in millions)				
Personnel and overhead	\$ 66	\$ 51	\$ 37	30%	39%
Professional service fees and other	32	25	8	28%	203%
Total general and administrative	<u>\$ 98</u>	<u>\$ 76</u>	<u>\$ 45</u>	30%	69%
% of revenue	10.4%	9.9%	7.0%		

2013 vs. 2012

General and administrative costs increased \$22 million during the year ended December 31, 2013, when compared to the same period in 2012, primarily due to increased personnel costs related to an increase in stock-based compensation, as well as increased headcount to support business growth and additional professional service fees in order to support our operations and an increase in our bad debt provision.

2012 vs. 2011

General and administrative costs increased \$31 million during the year ended December 31, 2012, when compared to the same period in 2011, due to increased personnel and overhead costs related to an increase in stock based compensation, as well as increased headcount to support business growth, and a full year of costs related to additional headcount and professional service fees to support our operations as a standalone public company in 2012. We also incurred increased professional service fees primarily related to legal and tax initiatives. In addition, in connection with the Spin-Off, we assumed Expedia's obligation to fund a charitable foundation (see "Note 12—Commitments and Contingencies" in the notes to the consolidated and combined financial statements). Our expense related to the funding of this charitable foundation was \$7 million for the year ended December 31, 2012.

Shared Services Fee with Expedia

Prior to the Spin-Off, our shared services fee was comprised of allocations from Expedia for accounting, legal, tax, corporate development, treasury, financial reporting, real estate management and included an allocation of employee compensation within these functions. These allocations were determined based on what we and Expedia considered to be reasonable reflections of the utilization of services provided or the benefit received by us.

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(\$ in millions)				
Shared services fee with Expedia	\$—	\$—	\$ 9	0%	(100)%
% of revenue	0%	0%	1.4%		

Shared services fee costs incurred for the use of Expedia shared services ceased in connection with the Spin-Off. Refer to "Note 15—Related Party Transactions" in the notes to our consolidated and combined financial statements for further information on our relationship with Expedia.

Depreciation

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(\$ in millions)				
Depreciation	\$ 29	\$ 20	\$ 18	48%	9%
% of revenue	3.1%	2.6%	2.9%		

2013 vs. 2012

Depreciation expense increased \$9 million during the year ended December 31, 2013 when compared to the same period in 2012 primarily due to increased amortization related to capitalized software and website development costs.

2012 vs. 2011

Depreciation expense increased \$2 million during the year ended December 31, 2012 when compared to the same period in 2011 primarily due to increased amortization related to capitalized software and website development costs and additional depreciation of \$1 million related to purchased software licenses and leasehold improvements.

Amortization of Intangible Assets

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(\$ in millions)				
Amortization of intangible assets	\$ 6	\$ 6	\$ 8	(6)%	(19)%
% of revenue	0.6%	0.8%	1.2%		

2013 vs. 2012

Amortization of intangible assets did not materially change during the year ended December 31, 2013 when compared to the same period in 2012. Amortization related to acquired definite lived intangibles from business acquisitions during 2013 was more than offset by the completion of amortization related to certain technology intangible assets from prior years.

2012 vs. 2011

Amortization of intangible assets decreased \$2 million during the year ended December 31, 2012 when compared to the same period in 2011, primarily due to the completion of amortization related to certain technology intangible assets.

Interest Income

Interest income primarily consists of interest earned and amortization of discounts and premiums on our marketable securities.

	Year ended December 31,			% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(\$ in millions)				
Interest income	\$ 2	\$ 1	\$ 1	241%	(37)%
% of revenue	0.2%	0.1%	0.1%		

2013 vs. 2012

Interest income increased \$1 million during the year ended December 31, 2013 when compared to the same period in 2012. The increase in interest income is primarily due to the fact that we began investing in marketable securities during the fourth quarter of 2012. Refer to “Note 4—*Financial Instruments*” for additional information on our current portfolio as of December 31, 2013.

2012 vs. 2011

Interest income did not materially change during the year ended December 31, 2012 when compared to the same period in 2011.

Interest Expense

Interest expense primarily consists of interest incurred, commitment fees and debt issuance cost amortization related to our Credit Agreement and Chinese Credit Facilities.

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Interest expense	\$ 10	\$ 11	\$—	(11)%	2,629%
% of revenue	1.1%	1.5%	0.1%		

2013 vs. 2012

The decrease in interest expense is primarily due to the lower outstanding borrowings and effective interest rates during the year ended December 31, 2013 over the same period during 2012 related to our Term Loan. Refer to “Note 8—*Debt*” for additional information on our outstanding borrowing facilities.

2012 vs. 2011

The increase in interest expense is related to interest incurred as a result of us entering into our Credit Agreement for the year ending December 31, 2012 over the same period during 2011.

Other Expense, Net

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Other Expense, Net	\$2	\$3	\$1	(55)%	175%

Other, net is primarily comprised of net foreign exchange losses and disposal of fixed assets for the periods presented.

Provision for Income Taxes

	<u>Year ended December 31,</u>			<u>% Change</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 vs. 2012</u>	<u>2012 vs. 2011</u>
	(\$ in millions)				
Provision for income taxes	\$ 79	\$ 87	\$ 94	(9)%	(7)%
Effective tax rate	27.8%	31.0%	34.6%		

2013 vs. 2012

Our effective tax rates for the years ended December 31, 2013 and 2012 were 27.8% and 31.0%, respectively. Our effective tax rate is less than the federal statutory rate primarily due to earnings in jurisdictions outside the United States, where our effective tax rate is lower. This is partly driven by the current statutory tax rate of 23% in the United Kingdom and our tax incentive on qualifying income in Singapore granted by the Singapore Economic Development Board in 2011. Our effective tax rate is partially offset by state income taxes, non-deductible stock compensation and accruals on uncertain tax positions.

The decrease in the effective tax rate for 2013 compared to the 2012 rate was primarily due to an increase in earnings in jurisdictions outside the United States as well as an internal restructuring that occurred during the fourth quarter of 2012. This restructuring was undertaken within our non-U.S. operations to align our global structure for more efficient treasury management and global cash deployment.

During the third quarter of 2013, Massachusetts enacted a statute that changed how sales are apportioned from being a cost of performance measure to market based sourcing. The impact of such will decrease our overall state tax provision in 2014. Additionally, the United Kingdom statutory tax rate is set to decrease from 23% to 21% effective April 1, 2014, which will also reduce our effective tax rate.

2012 vs. 2011

Our effective tax rate was lower than the 35% federal statutory rate primarily due to earnings in jurisdictions outside the United States, where our effective tax rate is lower, which was partially offset by state income taxes and accruals on uncertain tax positions. The change in the effective rate for 2012 compared to the 2011 rate was primarily due to an increase in earnings in jurisdictions outside the United States and a decrease in state income taxes, as well as the internal restructuring.

Liquidity and Capital Resources

The following section explains how we have generated and used our cash historically, describes our current capital resources and discusses our future financial commitments.

Cash Requirements

The following table aggregates our material contractual obligations and minimum commercial commitments as of December 31, 2013:

	Total	By Period			More than 5 years	
		Less than 1 year	1 to 3 years	3 to 5 years		
			(in millions)			
Term Loan (1)	\$340	\$ 40	\$300	\$—	\$—	
Expected interest payments on Term Loan (1)	14	5	9	—	—	
Chinese credit facilities (1)	28	28	—	—	—	
Operating leases	86	13	19	16	38	
Build to suit lease obligation (2)	144	—	10	19	115	
Purchase obligations (3)	1	1	—	—	—	
Total (4)(5)(6)	<u>\$613</u>	<u>\$ 87</u>	<u>\$338</u>	<u>\$ 35</u>	<u>\$153</u>	

(1) The amounts included as expected interest payments on the Term Loan in this table are based on the current effective interest rate and payment terms as of December 31, 2013, but, could change significantly in the

future. Amounts assume that our existing debt is repaid at maturity and do not assume additional borrowings or refinancings of existing debt. See “Note 8—*Debt*” in the notes to the consolidated and combined financial statements for additional information on our Term Loan and Chinese Credit Facilities.

- (2) Estimated future minimum rental payments for our future corporate headquarters in Needham, MA. See discussion under “Office Lease Commitments” below.
- (3) Excludes amounts already recorded on the consolidated balance sheet at December 31, 2013.
- (4) Excluded from the table was \$38 million of unrecognized tax benefits, including interest and penalties, that we have recorded in other long-term liabilities for which we cannot make a reasonably reliable estimate of the amount and period of payment. We estimate that none of these amounts will be paid within the next twelve months.
- (5) In connection with the Spin-Off, we assumed Expedia’s obligation to fund a charitable foundation. The Board of Directors of the charitable foundation is currently comprised of Stephen Kaufer- President and Chief Executive Officer, Julie M.B. Bradley- Chief Financial Officer and Seth J. Kalvert- Senior Vice President, General Counsel and Secretary. Our obligation was calculated at 2.0% of OIBA in 2013. For a discussion regarding OIBA see “Note 16—*Segment Information*” in the notes to the consolidated and combined financial statements. This future commitment has been excluded from the table above.
- (6) Excludes spending on anticipated leasehold improvements on our Needham, Massachusetts lease, including design, development, construction costs, and the purchase and installation of equipment, net of related Landlord incentives, which we estimate will begin in the fourth quarter of 2014 thru the second quarter of 2015 and currently estimate will cost in the range of \$35-\$40 million.

Term Loan Facility Due 2016 and Revolving Credit Facility

On December 20, 2011, in connection with the Spin-Off, we entered into the Credit Agreement, which provides \$600 million of borrowing including:

- the Term Loan Facility, or Term Loan, in an aggregate principal amount of \$400 million with a term of five years due December 2016; and
- the Revolving Credit Facility in an aggregate principal amount of \$200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on our leverage ratio. We are also required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 150 basis points, or the Eurocurrency Spread, or the alternate base rate (“ABR”) plus 50 basis points, and undrawn amounts are currently subject to a commitment fee of 22.5 basis points.

As of December 31, 2013 we are using a one-month interest period Eurocurrency Spread which is approximately 1.7% per annum. Interest is currently payable on a monthly basis while we are borrowing under the one-month interest rate period. The current interest rates are based on current assumptions, leverage and LIBOR rates and do not take into account that rates will reset periodically. A 25 basis point change in the interest rate on the current Term Loan balance would result in an increase or decrease to interest expense of approximately \$0.9 million per annum.

The Revolving Credit Facility includes \$40 million of borrowing capacity available for letters of credit and \$40 million for borrowings on same-day notice. As of December 31, 2013 there are no outstanding borrowings under our Revolving Credit Facility.

Prepayments

We may voluntarily repay any outstanding borrowing under the Credit Agreement at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans.

Guarantees

All obligations under the Credit Agreement are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized direct or indirect wholly-owned domestic and foreign restricted subsidiaries, subject to certain exceptions for controlled foreign corporations, foreign subsidiaries where applicable law would otherwise be violated or non-material subsidiaries.

Covenants

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase our capital stock, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The Credit Agreement also requires us to maintain a maximum leverage ratio and a minimum cash interest coverage ratio, and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under Credit Agreement and all actions permitted to be taken by a secured creditor.

As of December 31, 2013 we believe we are in compliance with all of our debt covenants.

Chinese Credit Facilities

In addition to our borrowings under the Credit Agreement, we maintain our Chinese Credit Facilities. As of December 31, 2013 and 2012, we had \$28.5 million and \$32.1 million of short term borrowings outstanding, respectively.

Certain of our Chinese subsidiaries entered into a RMB 138,600,000 (approximately \$22 million), one-year revolving credit facility with Bank of America (the “Chinese Credit Facility—BOA”) that is currently subject to review on a periodic basis with no specific expiration period. During the year ended December 31, 2012, this credit line was increased to RMB 189,000,000 (approximately \$30 million). During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 68,283,570 (approximately \$10.9 million). We currently have \$12.7 million of outstanding borrowings from this credit facility as of December 31, 2013. Our Chinese Credit Facility—BOA currently bears interest based at 100% of the People’s Bank of China’s base rate and was 5.6% as of December 31, 2013.

In addition, during April 2012, certain of our Chinese subsidiaries entered into a RMB 125,000,000 (approximately \$20 million) one-year revolving credit facility with J.P. Morgan Chase Bank (“Chinese Credit Facility-JPM”). This credit facility was renewed for an additional year in April 2013. During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 24,281,546 (approximately \$3.9 million). We currently have \$15.8 million of outstanding borrowings from this credit facility as of December 31, 2013. Our Chinese Credit Facility—JPM currently bears interest based at 100% of the People’s Bank of China’s base rate and was 5.6% as of December 31, 2013.

Office Lease Commitments

We currently lease approximately 119,000 square feet for our corporate headquarters in Newton, Massachusetts, pursuant to a lease with an expiration date of April 2015. We also lease an aggregate of approximately 382,000 square feet at approximately 30 other locations across North America, Europe and Asia Pacific, primarily for our international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through December 2030. We currently have no equipment leases as of December 31, 2013.

In June 2013, TripAdvisor LLC (“TA LLC”), our indirect, wholly owned subsidiary, entered into a lease (the “Lease”), for a new corporate headquarters. Pursuant to the Lease, the landlord will build an approximately 280,000 square foot rental building in Needham, Massachusetts (the “Premises”), and thereafter lease the Premises to TA LLC as TripAdvisor’s new corporate headquarters for an initial term of 15 years and 7 months. If the landlord fails to deliver the Premises according to the schedule, subject to certain conditions, TA LLC may be entitled to additional free rent, or in extreme cases, a right to terminate the Lease. Under the Lease, TA LLC is required to pay an initial base rent of \$33.00 per square foot per year, increasing to \$34.50 per square foot by the final year of the initial term, as well as all real estate taxes and other building operating costs. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each.

The aggregate future minimum lease payments are \$143.5 million and are currently scheduled to be paid, beginning in November 2015, as follows: \$1.1 million for 2015, \$9.3 million for 2016, \$9.3 million for 2017, \$9.3 million for 2018 and \$114.6 million for 2019 and thereafter. The Lease has escalating rental payments and initial periods of free rent. TA LLC was also obligated to deliver a letter of credit to the Landlord in the amount of \$0.8 million as security deposit, which amount is subject to increase under certain circumstances. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each. In connection with the Lease, TripAdvisor entered into a Guaranty (the “Guaranty”), pursuant to which TripAdvisor provides full payment and performance guaranty for all of TA LLC’s obligations under the Lease.

We have concluded we are the deemed owner (for accounting purposes only) of the Premises during the construction period under GAAP build to suit lease accounting. As building construction began in the fourth quarter of 2013, we recorded estimated project construction costs incurred by the landlord as an asset and a corresponding long term liability in “Property and equipment, net” and “Other long-term liabilities,” respectively, on our consolidated balance sheets. We will increase the asset and corresponding long term liability as additional building costs are incurred by the landlord during the construction period.

Once the landlord completes the construction of the Premises (estimated to be May 2015), we will evaluate the Lease in order to determine whether or not the Lease meets the criteria for “sale-leaseback” treatment. If the Lease meets the “sale-leaseback” criteria, we will remove the asset and the related liability from its consolidated balance sheet and treat the Lease as either an operating or capital lease based on the our assessment of the accounting guidance.

If the Lease does not meet “sale-leaseback” criteria, we will treat the Lease as a financing obligation and lease payments will be attributed to (1) a reduction of the principal financing obligation; (2) imputed interest expense; and (3) land lease expense (which is considered an operating lease) representing an imputed cost to lease the underlying land of the facility. In addition, the underlying building asset will be depreciated over the building’s estimated useful life. And at the conclusion of the lease term, we would de-recognize both the net book values of the asset and financing obligation. Although we will not begin making lease payments pursuant to the Lease until November 2015, the portion of the lease obligations allocated to the land is treated for accounting purposes as an operating lease that commenced in 2013.

Purchase Obligations

These amounts represent minimum non-cancelable purchase obligations with certain of our vendors, which we expect to utilize in the ordinary course of business.

Letters of Credit

As of December 31, 2013, we have issued unused letters of credit totaling \$1 million, related to our property leases.

Sources and Uses of Cash

Our cash flows from operating, investing and financing activities, as reflected in the consolidated and combined statements of cash flows, are summarized in the following table:

	Year ended December 31,		
	2013	2012	2011
	(in millions)		
Net cash provided by (used in):			
Operating activities	\$ 350	\$ 239	\$ 218
Investing activities	\$(197)	\$(244)	\$(539)
Financing activities	\$(170)	\$ 190	\$ 412

Our principal source of liquidity is cash flows generated from operations, although liquidity needs can also be met through drawdowns under our credit facilities discussed above. As of December 31, 2013 and 2012, we had \$671 million and \$586 million of cash, cash equivalents and short and long-term available-for-sale marketable securities. As of December 31, 2013 approximately \$442 million of our cash, cash equivalents and short and long-term marketable securities are held by our international subsidiaries, primarily in the United Kingdom, and are related to earnings we intend to reinvest permanently outside the United States. Cumulative undistributed earnings of foreign subsidiaries that we intend to indefinitely reinvest outside of the United States totaled approximately \$481 million as of December 31, 2013. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Determination of the amount of any unrecognized deferred income tax liability on this temporary difference is not practicable because of the complexities of the hypothetical calculation. Cash held is primarily denominated in U.S. dollars.

Historically, the cash we generate has been sufficient to fund our working capital requirements, capital expenditures and to meet our long term debt obligations and other financial commitments. Management believes that our cash and cash equivalents and available for sale marketable securities, combined with expected cash flows generated by operating activities and available cash from our credit facilities will be sufficient to fund our ongoing working capital requirements, capital expenditures, business growth initiatives, meet our long term debt obligations and other financial commitments, fund our new corporate lease obligations, share repurchases and fund any potential acquisitions for 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 growth initiatives, either of which could have a material adverse effect on our future financial condition or results of operations.

2013 vs. 2012

Operating Activities

For the year ended December 31, 2013, net cash provided by operating activities increased by \$111 million or 46% when compared to the same period in 2012, primarily due to an increase in net income of \$11 million and an increase in non-cash items not affecting cash flows of \$35 million, which is primarily related to increased stock based compensation and depreciation. Working capital movements increased \$64 million for the year ended December 31, 2013 when compared to the same period in 2012, primarily due to an increase in operating cashflow from deferred merchant payables of \$18 million and lower income tax payments primarily due to a lower effective tax rate with the remaining increase related to the timing of customer receipts, cash receipts from Expedia, income tax payments, and vendor payments.

Investing Activities

For the year ended December 31, 2013, net cash provided by investing activities increased by \$47 million when compared to the same period in 2012, primarily due to the sale and maturity of marketable securities of

\$326 million in 2013. This was primarily offset by an increase in the purchases of marketable securities by \$213 million, cash paid for 2013 business acquisitions of \$35 million, net of cash acquired, and an increase in capital expenditures of \$26 million. In addition, we received \$7 million during the three months ended March 31, 2012 from Expedia related to Spin-Off, which did not reoccur in 2013.

Financing Activities

For the year ended December 31, 2013, net cash provided by financing activities decreased by \$360 million when compared to the same period in 2012 primarily due to an increase of \$20 million in principal payments on our Term Loan, payments of \$145 million for common stock share repurchases under our authorized share repurchase program, a reduction of \$207 million in proceeds related to the exercise of our stock options and warrants, primarily due to one-time warrant proceeds of \$215 million during 2012 and the introduction in Q3 2013 of the net share settlement of our stock option exercises, and a \$15 million repayment of our outstanding borrowings on our Chinese Credit Facilities in 2013. This was offset by a \$10 million repayment of our outstanding borrowing on our Revolving Credit Facility in 2012 that did not reoccur in 2013 and \$22 million paid to purchase the remaining shares of our non-controlling interest in 2012 that did not reoccur in 2013.

2012 vs. 2011

Operating Activities

For the year ended December 31, 2012, net cash provided by operating activities increased by \$21 million or 10% when compared to the same period in 2011, primarily due to an increase in net income of \$17 million and an increase in non-cash items not affecting cash flows of \$9 million, which is primarily related to increased stock based compensation, offset by a decrease in working capital movements of \$5 million. The decrease in working capital movements in 2012 vs. 2011 was primarily driven by the classification of activity with Expedia of \$17 million which was classified in operating activities in 2012, as compared to investing activities in the periods prior to the Spin-Off, offset by the timing of customer cash receipts and the timing of tax and vendor payments.

Investing Activities

For the year ended December 31, 2012, net cash provided by investing activities increased by \$295 million when compared to the same period in 2011, primarily due to the cessation of net cash transfers to Expedia related to business operations in the periods prior to the Spin-Off in 2011 of \$96 million and a distribution of approximately \$406 million to Expedia immediately prior to the Spin-Off in 2011. This was primarily offset by the purchase of \$219 million of marketable securities in 2012, as we began purchasing debt securities in the fourth quarter of 2012.

Financing Activities

For the year ended December 31, 2012, net cash provided by financing activities decreased by \$222 million when compared to the same period in 2011 primarily due to funding related to our term loan facility borrowing in conjunction with the Spin-Off of \$400 million in 2011. This was offset by proceeds from the exercise of our stock options and warrants of \$231 million, net of payment of minimum withholding taxes related to the settlement of equity awards of \$7 million in 2012. In addition we paid \$20 million in principal payments on our Term Loan, a \$10 million repayment of our outstanding borrowing on our Revolving Credit Facility, and paid \$22 million to purchase the remaining shares of our noncontrolling interest in 2012.

Off-Balance Sheet Arrangements

As of December 31, 2013, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the SEC, that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contingencies

Legal Proceedings

In the ordinary course of business, we and our subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that the Company and its subsidiaries are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

Related Party Transactions

For information on our relationships with Expedia and Liberty Interactive Corporation refer to "Note 15—*Related Party Transactions*" in the notes to our consolidated and combined financial statements.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated and combined financial statements because they require that management use judgment and estimates in applying those policies. We prepare our consolidated and combined financial statements and accompanying notes in accordance with GAAP.

Preparation of the consolidated and combined financial statements and accompanying notes requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated and combined financial statements as well as revenue and expenses during the periods reported. Management bases its estimates on historical experience, where applicable, and other assumptions that it believes are reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of the consolidated and combined financial statements. We consider an accounting estimate to be critical if:

- It requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time management was making the estimate; and/or
- Changes in the estimate or different estimates that management could have selected may have had a material impact on our financial condition or results of operations.

Our significant accounting policies and estimates are more fully described in "Note 2—*Significant Accounting Policies*" in the notes to our consolidated and combined financial statements. A discussion of information about the nature and rationale for our critical accounting estimates is below.

Business Combination Valuations and Recoverability of Goodwill, Indefinite and Definite-Lived Intangible Assets

Goodwill. We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. We assess goodwill, which is not amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment

at the reporting unit level (operating segment or one level below an operating segment). We have one operating and reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If we determine that it is not more likely than not that the fair value of goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

Indefinite-Lived Intangible Assets. Intangible assets that have indefinite lives are not amortized and are tested for impairment annually on October 1, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

As part of our qualitative assessment for our 2013 impairment analysis, the factors that we considered for our goodwill and indefinite-lived intangible assets included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) comparison of our current financial performance to historical and budgeted results, (f) changes in excess market capitalization over book value based on our current common stock price and latest consolidated balance sheet, and (g) comparison of the excess of the fair value of our trade names and trademarks to the carrying value of those same assets, using the results of our most recent quantitative assessment. After considering these factors and the impact that changes in such factors would have on the inputs used in our previous quantitative assessment, we determined for our goodwill and indefinite-lived intangible assets that it was more likely than not that these assets were not impaired. Therefore no impairment charges were recognized to our consolidated statement of operations during the year ended December 31, 2013 for our goodwill or indefinite-lived intangible assets.

Since the annual impairment tests in October 2013, there have been no events or changes in circumstances to indicate any potential impairment and our goodwill and indefinite lived intangibles are not currently considered at risk. In the event that future circumstances indicate that any portion of our goodwill or our indefinite-lived intangibles is impaired, an impairment analysis would be performed.

Definite-Lived Intangible Assets. Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of two to eleven years. The straight-line method of amortization is currently used for our definite-lived intangible assets as it approximates, or is our best estimate, of the distribution of the economic use of our identifiable intangible assets. We review the carrying value of long-lived assets or asset groups, including property and equipment, to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable.

Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we assess the recoverability of the asset by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If the recoverability test indicates that the carrying value of the asset is not recoverable, we will estimate the fair value of the asset using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. We have not identified any circumstances that would warrant an impairment assessment as of December 31, 2013.

For additional information on our goodwill, indefinite-lived intangibles and definite-lived intangibles refer to "Note 7—*Goodwill and Intangible Assets, net*" in the notes to our consolidated and combined financial statements.

Income Taxes

We compute and account for our income taxes on a separate tax return basis. We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

We record liabilities to address uncertain tax positions we have taken in previously filed tax returns or that we expect to take in a future tax return. The determination for required liabilities is based upon an analysis of each individual tax position, taking into consideration whether it is more likely than not that our tax position, based on technical merits, will be sustained upon examination. For those positions for which we conclude it is more likely than not it will be sustained, we recognize the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority. The difference between the amount recognized and the total tax position is recorded as a liability. The ultimate resolution of these tax positions may be greater or less than the liabilities recorded.

We have not provided for deferred U.S. income taxes on undistributed earnings of certain foreign subsidiaries that we intend to reinvest permanently outside the United States. Should we distribute earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable, at this time, to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

See "Note 9—*Income Taxes*" in the notes to our consolidated and combined financial statements for further information on income taxes.

Stock-Based Compensation

Stock Options

The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant. Stock options granted during the year ended December 31, 2013 had a term of ten years from the date of grant and generally vest over a four-year requisite service period.

During the year ended December 31, 2013, we issued 2,824,583 of primarily service based stock options under the 2011 Incentive Plan with a weighted average grant-date fair value per option of \$28.30. We will amortize the fair value, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

The estimated fair value of the options granted under the 2011 Incentive Plan to date, have been calculated using a Black-Scholes Merton option-pricing model ("Black-Scholes model"). The Black-Scholes model incorporates assumptions to value stock-based awards, which includes the risk-free rate of return, expected volatility, expected term and expected dividend yield.

Our risk-free interest rate is based on the rates currently available on zero-coupon U.S. Treasury issues, in effect at the time of the grant, whose remaining maturity period most closely approximates the stock option's expected term assumption. We estimate volatility of our common stock by using an average of our historical stock price volatility and of publicly traded companies that we consider peers based on daily price observations over a period equivalent to or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor with our peer group was based upon the relatively short period of availability of data on our common stock. We estimate our expected term using the simplified method for all stock options as we do not have sufficient historical exercise data on our common stock. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date and do not expect to pay any cash dividends for the foreseeable future.

Restricted Stock Units (RSUs)

RSUs are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

Performance-based stock options and RSUs vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of performance-based awards is determined, which is calculated using the same method as our service based stock options and RSUs described above. We then assess whether it is probable that the performance targets would be achieved. If assessed as probable, compensation expense will be recorded for these awards over the estimated performance period. At each reporting period, we will reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or

updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. We have considered many factors when estimating expected forfeitures, including our historical attrition rates, the employee class and historical experience. The estimate of stock awards that will ultimately be forfeited requires significant judgment and, to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period such estimates are revised.

Refer to “Note 4—*Stock Based Awards and Other Equity Instruments*” in the notes to our consolidated and combined financial statements for further information on current year equity award activity.

Websites and Internal Use Software Development Costs

We capitalize certain costs incurred during the application development stage related to the development of websites and internal use software when it is probable the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be three to five years. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. We expense costs related to the planning and post-implementation phases of software and website development as these costs are incurred. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software resulting in added functionality, in which case the costs are capitalized. To the extent that we change the manner in which we develop and test new features and functionalities related to our websites and internal use software, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website and internal use software development costs we capitalize and amortize could change in future periods.

Refer to “Note 6—*Fixed Assets*” in the notes to our consolidated and combined financial statements for further information on our development of websites and internal use software.

Recently Adopted Accounting Pronouncements

For a discussion of new accounting pronouncements, see “Note 2—*Significant Accounting Policies*” in the notes to our consolidated and combined financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Management

We are exposed to certain market risks, including changes in interest rates and foreign currency exchange rates that could adversely affect our results of operations or financial condition. We manage our exposure to these risks through established policies and procedures and by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign currency exchange rates. Our objective is to mitigate potential income statement, cash flow and market exposures from changes in interest and foreign exchange rates.

Interest Rates

Our current exposure to changes in interest rates relate primarily to our investment portfolio and the outstanding principal on our Term Loan. Our interest income and expense is most sensitive to fluctuations in U.S. interest rates and Libor. Changes in interest rates affect the interest earned on our cash, cash equivalents and marketable securities and the fair value of those securities, as well as the amount of interest we pay on our outstanding debt.

We currently invest our excess cash in cash deposits at major global banks, money market mutual funds and marketable securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss.

In order to provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our current investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on our investment positions as of December 31, 2013, a hypothetical 100 basis point increase in interest rates across all maturities would result in an approximate \$3.4 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

As of December 31, 2013, we had \$340 million of debt under our Term Loan, which has a variable rate. The variable interest rate on the Term Loan is based on current assumptions, leverage and LIBOR rates. Based on our current loan balance through December 31, 2013, a 25 basis point change in our interest rate on the Term Loan would result in an increase or decrease to interest expense of approximately \$0.9 million per annum. We currently do not hedge our interest rate risk; however, we are continually evaluating the interest rate market, and if we become increasingly exposed to potentially volatile movements in interest rates, and if these movements are material, this could cause us to adjust our financing strategy.

We did not experience any significant impact from changes in interest rates for the years ended December 31, 2013, 2012 or 2011.

Foreign Currency Exchange Rates

We conduct business in certain international markets, primarily the European Union, the United Kingdom, Singapore and China. Because we operate in international markets, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign exchange rates.

Some of our foreign subsidiaries maintain their accounting records in their respective local currencies other than the U.S. dollar (primarily in British pound sterling). Consequently, changes in currency exchange rates may impact the translation of foreign financial statements into 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, or functional 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, revenue, operating expenses, operating income and net income. Similarly, our net assets, revenue, operating expenses, operating income and net income will decrease if the U.S. dollar strengthens against local currency. The effect of foreign exchange on our business historically has varied from quarter to quarter and may continue to do so, potentially materially. A hypothetical 10% decrease of the foreign exchange rates relative to the U.S. Dollar, or strengthening of the U.S. Dollar, would generate an unrealized loss of approximately \$1.6 million related to an decrease in our net assets held in functional currencies other than the U.S. Dollar as of December 31, 2013, which would be recorded to accumulated other comprehensive loss on our consolidated balance sheet.

In addition, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses. We recognize these transactional gains and losses (primarily Euro currency transactions) in our consolidated and combined statements of operations and have recorded foreign exchange losses of \$0.2 million, \$3.2 million and \$1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, in Other, net on our consolidated and combined statements of operations.

We currently manage our exposure to foreign currency risk through internally established policies and procedures. To the extent practicable, we minimize our foreign currency exposures by maintaining natural hedges between our current assets and current liabilities in similarly denominated foreign currencies, as well as, using derivative financial instruments. We use foreign exchange derivative contracts to manage certain short-term foreign currency risk to try and reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies.

Our objective is to hedge only those currency exposures that can be confidently identified and quantified and that may result in significant impacts to corporate cash or the consolidated statement of operations. 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.

Our current derivative contracts principally address foreign exchange fluctuation risk for the Euro versus the U.S. Dollar. We account for our derivative instruments as either assets or liabilities and carry them at fair value.

As of December 31, 2013 and 2012, we had outstanding forward currency contracts not designated as hedging contracts with a notional value of \$5.2 million and \$2.7 million. These contracts are all short-term in nature. The fair value of these derivatives at both December 31, 2013 and 2012, represented a net liability of \$0.1 million and are recorded in accrued expenses and other current liabilities on our consolidated balance sheets. For the years ended December 31, 2013 and 2012, \$0.3 million and \$0.7 million, respectively, of expense was recorded to Other, net on our consolidated and combined statements of operations related to derivative contracts. A hypothetical 10% change of the foreign exchange rates relative to the U.S. Dollar, with all other variables held constant, would not have a material impact on the fair value of our outstanding derivatives as of December 31, 2013 and 2012. We did not enter into any derivative instruments for the year ending December 31, 2011. Refer to “Note 5—*Financial Instruments*” in the notes to the consolidated and combined financial statements for further detail on our derivative instruments.

As we increase our operations in international markets, our exposure to potentially volatile movements in foreign currency exchange rates increases. The economic impact to us of foreign currency exchange rate movements is linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our foreign currency risk strategies.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data:

Report of Independent Registered Public Accounting Firm	66
Consolidated and Combined Statements of Operations for the years ended December 31, 2013, 2012 and 2011	67
Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	68
Consolidated Balance Sheets as of December 31, 2013 and 2012	69
Consolidated and Combined Statements of Changes in Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011	70
Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	72
Notes to Consolidated and Combined Financial Statements	73
Quarterly Financial Information (Unaudited)	110

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
of TripAdvisor, Inc.

We have audited the accompanying consolidated balance sheets of TripAdvisor, Inc. as of December 31, 2013 and 2012, and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TripAdvisor, Inc. at December 31, 2013 and 2012, and the consolidated and combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TripAdvisor, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 11, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 11, 2014

TRIPADVISOR, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue	\$727,236	\$559,215	\$426,045
Revenue from Expedia	<u>217,425</u>	<u>203,751</u>	<u>211,018</u>
Total revenue	944,661	762,966	637,063
Costs and expenses:			
Cost of revenue (exclusive of amortization) (1)	17,714	12,074	10,873
Selling and marketing (2)	368,353	266,239	209,176
Technology and content (2)	130,673	86,640	57,448
General and administrative (2)	98,121	75,641	44,770
Depreciation	29,495	19,966	18,362
Amortization of intangible assets	5,731	6,110	7,523
Shared services fee with Expedia	—	—	9,222
Spin-off costs	—	—	6,932
Total costs and expenses	<u>650,087</u>	<u>466,670</u>	<u>364,306</u>
Operating income	294,574	296,296	272,757
Other income (expense):			
Interest income	1,738	510	808
Interest expense	(10,074)	(11,381)	(417)
Other, net	<u>(1,536)</u>	<u>(3,450)</u>	<u>(1,254)</u>
Total other expense, net	<u>(9,872)</u>	<u>(14,321)</u>	<u>(863)</u>
Income before income taxes	284,702	281,975	271,894
Provision for income taxes	<u>(79,259)</u>	<u>(87,387)</u>	<u>(94,103)</u>
Net income	205,443	194,588	177,791
Net (income) loss attributable to noncontrolling interest	<u>—</u>	<u>(519)</u>	<u>(114)</u>
Net income attributable to TripAdvisor, Inc.	<u>\$205,443</u>	<u>\$194,069</u>	<u>\$177,677</u>
Earnings Per Share attributable to TripAdvisor, Inc:			
Basic	\$ 1.44	\$ 1.39	\$ 1.33
Diluted	\$ 1.41	\$ 1.37	\$ 1.32
Weighted Average Common Shares Outstanding:			
Basic	142,854	139,462	133,461
Diluted	145,263	141,341	134,865
(1) Excludes amortization as follows:			
Amortization of acquired technology included in amortization of intangibles	\$ 949	\$ 708	\$ 578
Amortization of website development costs included in depreciation	<u>19,602</u>	<u>12,816</u>	<u>12,438</u>
	\$ 20,551	\$ 13,524	\$ 13,016
(2) Includes stock-based compensation as follows:			
Selling and marketing	\$ 10,643	\$ 4,622	\$ 3,216
Technology and content	21,053	11,400	3,931
General and administrative	17,257	14,080	10,197

The accompanying notes are an integral part of these consolidated and combined financial statements.

TRIPADVISOR, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$205,443	\$194,588	\$177,791
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	548	1,945	(781)
Unrealized gains (losses) on available for sale securities, net of tax benefits of \$6, \$72, and \$0, ⁽¹⁾	(4)	(104)	—
Total other comprehensive income (loss), net of tax	<u>544</u>	<u>1,841</u>	<u>(781)</u>
Comprehensive income	205,987	196,429	177,010
Less: comprehensive income attributable to noncontrolling interest	—	(519)	(114)
Comprehensive income attributable to TripAdvisor, Inc.	<u>\$205,987</u>	<u>\$195,910</u>	<u>\$176,896</u>

(1) Net gains (losses) recognized and reclassified during the years ended December 31, 2013, 2012 and 2011 were immaterial.

The accompanying notes are an integral part of these consolidated and combined financial statements.

TRIPADVISOR, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 351,148	\$ 367,515
Short-term marketable securities (note 5)	131,220	118,970
Accounts receivable, net of allowance of \$3,300 and \$2,818 at December 31, 2013 and December 31, 2012, respectively (note 2)	97,034	81,459
Receivable from Expedia, net (note 15)	15,828	23,971
Taxes receivable (note 9)	14,291	24,243
Deferred income taxes, net (note 9)	4,550	5,971
Prepaid expenses and other current assets	16,214	10,365
Total current assets	630,285	632,494
Long-term marketable securities (note 5)	188,338	99,248
Property and equipment, net (note 6)	81,528	43,802
Deferred income taxes, net (note 9)	893	502
Other long-term assets	18,144	13,274
Intangible assets, net (note 7)	51,842	38,190
Goodwill (note 7)	501,984	471,684
TOTAL ASSETS	\$1,473,014	\$1,299,194
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 9,869	\$ 12,796
Deferred merchant payables (note 2)	29,612	1,303
Deferred revenue	43,970	31,563
Credit facility borrowings (note 8)	28,461	32,145
Borrowings, current (note 8)	40,000	40,000
Taxes payable (note 9)	5,443	14,597
Accrued expenses and other current liabilities (note 10)	85,534	63,236
Total current liabilities	242,889	195,640
Deferred income taxes, net (note 9)	13,114	11,023
Other long-term liabilities (note 11)	52,531	25,563
Borrowings, net of current portion (note 8)	300,000	340,000
Total Liabilities	608,534	572,226
Commitments and Contingencies (note 12)		
Stockholders' equity: (note 14)		
Preferred stock \$0.001 par value	—	—
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock \$0.001 par value	131	130
Authorized shares: 1,600,000,000		
Shares issued: 131,537,798 and 130,060,138		
Shares outstanding: 129,417,089 and 130,060,138		
Class B common stock \$0.001 par value	13	13
Authorized shares 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999		
Additional paid-in capital	608,001	531,256
Retained earnings	401,881	196,438
Accumulated other comprehensive loss	(325)	(869)
Treasury stock—Common stock, at cost, 2,120,709 and 0 shares, at December 31, 2013 and December 31, 2012 respectively	(145,221)	—
Total stockholders' equity	864,480	726,968
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,473,014	\$1,299,194

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Invested Capital	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Total
		Shares	Amount	Shares	Amount				Shares	Amount	
Balance as of December 31, 2010	\$ 541,561	—	\$—	—	\$—	\$ —	\$ —	\$(1,929)	—	\$ —	\$ 539,632
Net income attributable to TripAdvisor, Inc. prior to Spin-Off	175,308										175,308
Net income attributable to TripAdvisor, Inc. after the Spin-Off							2,369				2,369
Currency translation adjustments								(781)			(781)
Tax benefits on equity awards	1,453										1,453
Stock-based compensation expense- pre-Spin-Off	16,260										16,260
Acquisition of common control subsidiary from Expedia	(40,564)										(40,564)
Adjustment to the fair value of redeemable noncontrolling interest	(571)										(571)
Extinguishment of receivable due from Expedia related to Spin- Off, including transfers of assets and liabilities	(1,525)										(1,525)
Distribution to Expedia related to Spin-Off, net	(398,488)										(398,488)
Capitalization of TripAdvisor as a result of Spin-Off from Expedia, including issuance of Common and Class B shares	(293,434)	120,661,808	121	12,799,999	13	293,300					—
Stock-based compensation expense- post Spin-Off						444					444
Balance as of December 31, 2011	\$ —	120,661,808	\$121	12,799,999	\$ 13	\$293,744	\$ 2,369	\$(2,710)	—	\$ —	\$ 293,537
Net income attributable to TripAdvisor, Inc.							194,069				194,069
Currency translation adjustments								1,945			1,945
Unrealized loss on marketable securities, net of tax								(104)			(104)
Issuance of common stock related to exercise of options and warrants and vesting of RSUs		9,398,330	9			230,702					230,711
Tax benefits on equity awards						3,933					3,933
Minimum withholding taxes on net share settlements of equity awards						(6,675)					(6,675)
Adjustment to the fair value of redeemable noncontrolling interest						(14,617)					(14,617)
Reclassification of non- employee equity awards to liability						(1,462)					(1,462)
Stock-based compensation expense						25,631					25,631

	Invested Capital	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Total
		Shares	Amount	Shares	Amount				Shares	Amount	
Balance as of December 31, 2012	\$ —	130,060,138	\$130	12,799,999	\$ 13	\$531,256	\$196,438	\$ (869)	—	\$ —	\$ 726,968
Net income attributable to TripAdvisor, Inc.							205,443				205,443
Currency translation adjustments								548			548
Unrealized loss on marketable securities, net of tax and reclassification adjustments								(4)			(4)
Issuance of common stock related to exercise of options and vesting of RSUs		1,477,660	1			27,067					27,068
Repurchase of common stock									(2,120,709)	\$(145,221)	(145,221)
Tax benefits on equity awards						12,227					12,227
Minimum withholding taxes on net share settlements of equity awards						(13,907)					(13,907)
Stock-based compensation expense						51,358					51,358
Balance as of December 31, 2013	\$ —	131,537,798	\$131	12,799,999	\$ 13	\$608,001	\$401,881	\$ (325)	(2,120,709)	\$(145,221)	\$ 864,480

The accompanying notes are an integral part of these consolidated and combined financial statements.

TRIPADVISOR, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Operating activities:			
Net income	\$ 205,443	\$ 194,588	\$ 177,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment, including amortization of internal-use software and website development	29,495	19,966	18,362
Stock-based compensation	48,953	30,102	17,344
Amortization of intangible assets	5,731	6,110	7,523
Amortization of deferred financing costs	779	889	21
Amortization of discounts and premiums on marketable securities, net	4,905	527	—
Deferred tax (benefit) expense	5,473	(4,960)	(931)
Excess tax benefits from stock-based compensation	(12,425)	(2,717)	(1,571)
Provision (recovery) for doubtful accounts	1,485	(1,050)	909
Foreign currency transaction (gains) losses, net	(154)	1,644	209
Other, net	1,691	187	(131)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(16,184)	(11,810)	(15,910)
Receivable from Expedia.net	8,099	(16,921)	—
Taxes receivable	9,952	(24,243)	—
Prepaid expenses and other assets	(3,655)	(3,305)	(1,821)
Accounts payable	(5,884)	15,322	4,133
Deferred merchant payable	16,767	(1,345)	1,752
Taxes payable	16,852	7,073	3,244
Accrued expenses and other liabilities	23,404	17,067	82
Deferred revenue	8,796	11,942	6,876
Net cash provided by operating activities	349,523	239,066	217,882
Investing activities:			
Acquisitions, net of cash acquired	(34,819)	(3,007)	(7,894)
Capital expenditures, including internal-use software and website development costs	(55,455)	(29,282)	(21,323)
Purchases of marketable securities	(432,373)	(218,922)	—
Sales of marketable securities	174,723	—	—
Maturities of marketable securities	150,780	—	20,090
Distribution to Expedia related to Spin-Off	—	7,028	(405,516)
Acquisitions, net of cash acquired, from Expedia	—	—	(28,099)
Transfers to Expedia, net	—	—	(95,967)
Other, net	350	—	(153)
Net cash used in investing activities	(196,794)	(244,183)	(538,862)
Financing activities:			
Repurchase of common stock	(145,221)	—	—
Proceeds from credit facilities	10,201	15,372	18,158
Payments on credit facilities	(14,728)	(10,000)	—
Principal payments on long-term debt	(40,000)	(20,000)	—
Proceeds from issuance of long-term debt, net of issuance costs	—	—	396,516
Proceeds from exercise of stock options and warrants	23,703	230,711	—
Payment of minimum withholding taxes on net share settlements of equity awards	(13,907)	(6,675)	—
Excess tax benefits from stock-based compensation	12,425	2,717	1,571
Payments on construction in process related to build to suit lease obligations	(2,148)	—	—
Payments to purchase subsidiary shares from noncontrolling interest	—	(22,304)	—
Acquisitions funded by Expedia	—	—	5,135
Payments on acquisition earn-out	—	—	(9,546)
Net cash (used) provided by financing activities	(169,675)	189,821	411,834
Effect of exchange rate changes on cash and cash equivalents	579	(721)	(455)
Net (decrease) increase in cash and cash equivalents	(16,367)	183,983	90,399
Cash and cash equivalents at beginning of year	367,515	183,532	93,133
Cash and cash equivalents at end of year	\$ 351,148	\$ 367,515	\$ 183,532
Supplemental disclosure of cash flow information:			
Income taxes paid directly to taxing authorities, net of refunds	\$ 49,989	\$ 107,799	\$ 42,220
Income taxes paid to Expedia	—	—	49,570
Total income taxes paid, net of refunds	<u>\$ 49,989</u>	<u>\$ 107,799</u>	<u>\$ 91,790</u>
Cash paid during the period for interest	\$ 8,291	\$ 9,792	\$ 313
Supplemental disclosure of non-cash investing and financing activities:			
Capitalization of construction in-process related to build to suit lease obligation	\$ 7,877	—	—
Non-cash fair value increase for redeemable noncontrolling interests	—	\$ 14,617	\$ 571
Distribution receivable from Expedia, Inc.	—	—	(7,028)

The accompanying notes are an integral part of these consolidated and combined financial statements.

TRIPADVISOR, INC.
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND BUSINESS DESCRIPTION

We refer to TripAdvisor, Inc. and our wholly-owned subsidiaries as “TripAdvisor,” “the Company,” “us,” “we” and “our” in these notes to the consolidated and combined financial statements.

During 2011, Expedia, Inc., or Expedia, announced its plan to separate into two independent public companies in order to better achieve certain strategic objectives of its various businesses. We refer to this transaction as the “Spin-Off.” On December 20, 2011, following the close of trading on the NASDAQ Global Select Market (“NASDAQ”), the Spin-Off was completed, and TripAdvisor began trading as an independent public company on December 21, 2011. Expedia effected the Spin-Off by means of a reclassification of its capital stock that resulted in the holders of Expedia capital stock immediately prior to the time of effectiveness of the reclassification having the right to receive a proportionate amount of TripAdvisor capital stock. In connection with the Spin-Off, Expedia contributed or transferred all of the subsidiaries and assets relating to Expedia’s TripAdvisor Media Group to TripAdvisor and TripAdvisor assumed all of the liabilities relating to Expedia’s TripAdvisor Media Group.

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates (the “Stock Purchase”). As a result, as of December 31, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty’s shares of Class B common stock into common stock, Liberty would beneficially own 21.8% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.8% of our voting power.

Our common stock trades on the NASDAQ under the trading symbol “TRIP.”

Description of Business

TripAdvisor is an online travel company, empowering users to plan and have the perfect trip. TripAdvisor’s travel research platform aggregates reviews and opinions of members about destinations, accommodations (hotels, B&Bs, specialty lodging and vacation rentals), restaurants and activities throughout the world through our flagship TripAdvisor brand. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 33 countries, including in China under the brand daodao.com. Beyond travel-related content, TripAdvisor websites also include links to the websites of our travel advertisers allowing travelers to directly book their travel arrangements. In addition to the flagship TripAdvisor brand, we manage and operate 20 other travel brands, connected by the common goal of providing comprehensive travel planning resources across the travel sector. We derive substantially all of our revenue from advertising, primarily through click-based advertising and display-based advertising sales. In addition, we earn revenue through a combination of subscription-based offerings from our Business Listings and Vacation Rental products, transaction revenue from making hotel room nights available for booking on our transactional sites, and other revenue including licensing our content to third-parties. We have one operating and reportable segment: TripAdvisor. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

Seasonality

Expenditures by travel advertisers tend to be seasonal. Traditionally, our strongest quarter has been the third quarter, which is a key travel research period, with the weakest quarter being the fourth quarter. However,

adverse economic conditions or continued growth of our international operations with differing holiday peaks may influence the typical trend of our seasonality in the future.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated and combined financial statements include TripAdvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We record our investments in entities that we do not control, but over which we have the ability to exercise significant influence, using the equity method. We record noncontrolling interest in our consolidated and combined financial statements to recognize the minority ownership interest in our consolidated and combined subsidiaries. Noncontrolling interest in the earnings and losses of consolidated and combined subsidiaries represent the share of net income or loss allocated to members or partners in our consolidated and combined entities. We have eliminated significant intercompany transactions and accounts. The accounting for income taxes was computed for TripAdvisor on a separate tax return basis (see “Note 9—*Income Taxes*” for further information). The accompanying consolidated and combined financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”).

Certain of our subsidiaries that operate in China, have variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in Internet content provision businesses. Although we do not own the capital stock of some of our Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activities of these affiliates. Our variable interest entities are not material for all periods presented.

The financial statements and related financial information pertaining to the period preceding December 21, 2011 have been presented on a combined basis and reflect the results of TripAdvisor that were ultimately transferred to us as part of the Spin-Off. The financial statements and related financial information pertaining to the period from December 21, 2011 onward have been presented on a consolidated basis. Prior to the Spin-Off, certain functions, including accounting, legal, tax, corporate development, treasury, employee benefits, financial reporting and real estate management, were historically managed by the corporate division of Expedia on behalf of its subsidiaries. The assets, liabilities and expenses related to the support of these centralized corporate functions have been allocated to us on a specific identification basis to the extent possible. Otherwise, allocations related to these services, in the form of a shared services fee, were primarily based upon an estimate of the proportion of corporate amounts applicable to us. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. In the opinion of management, the assumptions and allocations were made on a reasonable basis. Management believes that amounts allocated to TripAdvisor reflect a reasonable representation of the types of costs that would have been incurred if we had performed these functions as a stand-alone company. However, as estimation is inherent within the aforementioned allocation process, these combined financial statements do not include all of the actual amounts that would have been incurred had we been a stand-alone entity during the periods presented and also do not necessarily reflect our future financial position, results of operations and cash flows.

Accounting Estimates

We use estimates and assumptions in the preparation of our consolidated and combined financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated and combined financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any

period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated and combined financial statements include recoverability of long-lived assets and investments, recoverability of intangible assets and goodwill; income taxes; useful lives of property and equipment; purchase accounting and stock-based compensation.

Reclassifications

Certain reclassifications have been made to conform the prior period to the current presentation. These reclassifications had no net effect on our consolidated and combined financial statements and were not material.

Revenue Recognition

We recognize revenue from the advertising services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

Click-based Advertising. Revenue is derived primarily from click-through fees charged to our travel partners for traveler leads sent to the travel partners' website. We record revenue from click-through fees after the traveler makes the click-through to the travel partners' websites.

Display and Other Advertising. We recognize display advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract. Subscription-based revenue is recognized ratably over the related subscription period. We recognize revenue from all other sources either upon delivery or when we provide the service.

Deferred revenue, which primarily relates to our subscription-based programs, is recorded when payments are received in advance of our performance as required by the underlying agreements.

Cost of Revenue

Cost of revenue consists of expenses that are closely correlated or directly related to revenue generation, including ad serving fees, flight search fees, credit card fees and data center costs.

Selling and Marketing

Sales and marketing expenses primarily consist of direct costs, including search engine marketing, or SEM, other traffic acquisition costs, syndication costs and affiliate program commissions, brand advertising and public relations. In addition, our indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

Technology and Content

Technology and content expenses consist of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites. Other costs include licensing and maintenance expense.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including executive leadership, finance, legal and human resource functions and stock-based compensation as well as professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense and our charitable foundation costs.

Interest Income

Interest income primarily consists of interest earned and amortization of discounts and premiums on our marketable securities.

Interest Expense

Interest expense primarily consists of interest incurred, commitment fees and debt issuance cost amortization related to our Credit Agreement and Chinese Credit Facilities.

Cash, Cash Equivalents and Marketable Securities

Our cash equivalents consist of highly liquid investments with maturities of 90 days or less at the date of purchase. Our marketable debt and equity securities have been classified and accounted for as available-for-sale. We determine the appropriate classification of our investments at the time of purchase and reevaluate the designations at each balance sheet date. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss and providing liquidity of investments sufficient to meet our operating and capital spending requirements and debt repayments.

We classify our marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date and as to whether and when we intend to sell a particular security prior to its maturity date. Marketable debt securities with maturities greater than 90 days at the date of purchase and 12 months or less remaining at the balance sheet date will be classified as short-term and marketable debt securities with maturities greater than 12 months from the balance sheet date will generally be classified as long-term. We classify our marketable equity securities, limited to money market funds and mutual funds, as either short-term or long-term based on the nature of each security and its availability for use in current operations. Our marketable debt and equity securities are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) as a component of shareholders' equity. Fair values are determined for each individual security in the investment portfolio.

Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. We may sell certain of our marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and liquidity and duration management. The weighted average maturity of our total invested cash shall not exceed 18 months, and no security shall have a final maturity date greater than three years.

We continually review our available for sale securities to determine whether a decline in fair value below the carrying value is other than temporary. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If we do not intend to sell the debt security, but it is probable that we will not collect all amounts due, then only the impairment due to the credit risk would be recognized in earnings and the remaining amount of the impairment would be recognized in accumulated other comprehensive loss within stockholders' equity.

Cash consists of cash deposits held in global financial institutions.

Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We measure assets and liabilities at fair value based on the expected exit price, which is the amount that would be received on the sale of an asset or amount paid to transfer a liability, as the case may be, in an orderly transaction between market participants in the principal or most advantageous market in which we would transact. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability at the measurement date. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1—Valuations are based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations are based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Derivative Financial Instruments

Our goal in managing our foreign exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. We account for our derivative instruments as either assets or liabilities and carry them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in income. For derivative instruments that hedge the exposure to changes in the fair value of an asset or a liability and that are designated as fair value hedges, both the net gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings in the current period. The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure of the net investment in a foreign operation is reported in the same manner as a foreign currency translation adjustment. For forward exchange contracts designated as net investment hedges, we exclude changes in fair value relating to changes in the forward carrying component from its definition of effectiveness. Accordingly, any gains or losses related to this component are recognized in current income. We have not entered into any cash flow, fair value or net investment hedges to date as of December 31, 2013.

Derivatives that do not qualify for hedge accounting must be adjusted to fair value through current income. In certain circumstances, we enter into foreign currency forward exchange contracts ("forward contracts") to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. Our derivative instruments or forward contracts that were entered into and are not designated as hedges as of December 31, 2013 are disclosed below in "Note 5—*Financial Instruments*" in the notes to the consolidated and combined financial statements. Monetary assets and liabilities denominated in a currency other than the functional currency of a given subsidiary are remeasured at spot rates in effect on the balance sheet date

with the effects of changes in spot rates reported in Other, net on our consolidated and combined statements of operations. Accordingly, fair value changes in the forward contracts help mitigate the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not expected to be significant due to the short-term nature of the contracts, which typically have average maturities at inception of less than one year.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 30 days and are recorded net of an allowance for doubtful accounts. We record accounts receivable at the invoiced amount and do not charge interest. Collateral is not required for accounts receivable. We consider accounts outstanding longer than the contractual payment terms as past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

The following table presents the changes in the allowance for doubtful accounts for the periods presented:

	December 31,		
	2013	2012	2011
	(in thousands)		
Allowance for doubtful accounts:			
Balance, beginning of period	\$ 2,818	\$ 5,370	\$5,184
Charges (recoveries) to earnings	1,485	(1,050)	909
Write-offs, net of recoveries and other adjustments . . .	(1,003)	(1,502)	(723)
Balance, end of period	<u>\$ 3,300</u>	<u>\$ 2,818</u>	<u>\$5,370</u>

Property and Equipment, Including Website and Software Development Costs

We record property and equipment at cost, net of accumulated depreciation. We capitalize certain costs incurred during the application development stage related to the development of websites and internal use software when it is probable the project will be completed and the software will be used as intended. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. We expense costs related to the planning and post-implementation phases of software and website development as these costs are incurred. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software resulting in added functionality, in which case the costs are capitalized.

We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment and purchased software, capitalized software and website development and furniture and other equipment. We depreciate leasehold improvements using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

Leases

We lease office space in several countries around the world under non-cancelable lease agreements. We generally lease our office facilities under operating lease agreements. Office facilities subject to an operating lease and the related lease payments are not recorded on our balance sheet. The terms of certain lease agreements provide for rental payments on a graduated basis, however, we recognize rent expense on a straight-line basis over the lease period in accordance with authoritative accounting guidance. Any lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. The lease term begins on the date we become legally obligated for the rent payments or when we take possession of the office space, whichever is earlier.

We establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease. Upon occupancy of facilities under build-to-suit leases, we assess whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance. If we continue to be the deemed owner, the facilities are accounted for as financing leases.

Recoverability of Goodwill and Indefinite-Lived Intangible Assets

Goodwill

We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. We assess goodwill, which is not amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment). We have one reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of the reporting unit is less than the carrying amount. If we determine that it is not more likely than not that the fair value of the goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

Indefinite-Lived Intangible Assets

Intangible assets that have indefinite lives are not amortized and are tested for impairment annually on October 1, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

As part of our qualitative assessment for our 2013 impairment analysis, the factors that we considered for our goodwill and indefinite-lived intangible assets included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) comparison of our current financial performance to historical and budgeted results, (f) changes in excess market capitalization over book value based on our current common stock price and latest consolidated balance sheet, and (g) comparison of the excess of the fair value of our trade names and trademarks to the carrying value of

those same assets, using the results of our most recent quantitative assessment. After considering these factors and the impact that changes in such factors would have on the inputs used in our previous quantitative assessment, we determined for our goodwill and indefinite-lived intangible assets that it was more likely than not that these assets were not impaired.

Since the annual impairment tests in October 2013, there have been no events or changes in circumstances to indicate any potential impairment to goodwill or our indefinite lived intangible assets. In the event that future circumstances indicate that any portion of our goodwill or our indefinite-lived intangibles is impaired, an impairment charge would be recorded.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of two to eleven years. The straight-line method of amortization is currently used for our definite-lived intangible assets as it approximates, or is our best estimate, of the distribution of the economic use of our identifiable intangible assets. We review the carrying value of long-lived assets or asset groups, including property and equipment, to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable.

Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we assess the recoverability of the asset by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If the recoverability test indicates that the carrying value of the asset is not recoverable, we will estimate the fair value of the asset using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured by the amount that the carrying value of such assets exceeds their fair value. We have not identified any circumstances that would warrant an impairment assessment as of December 31, 2013.

Income Taxes

We compute and account for our income taxes on a stand-alone basis. We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

We recognize in our consolidated and combined financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Foreign Currency Translation and Transaction Gains and Losses

Our consolidated and combined financial statements are reported in U.S. dollars. Certain of our subsidiaries outside of the United States use the related local currency as their functional currency and not the U.S. dollar. Therefore assets and liabilities of our foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated and combined statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Due to the nature of our operations and our corporate structure, we also have subsidiaries that have transactions in foreign currencies other than their functional currency. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated and combined statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Accordingly, we have recorded foreign exchange losses of \$0.2 million, 3.2 million and \$1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, in Other, net. These losses are net of those realized and unrealized on foreign currency forward contracts.

Advertising Expense

We incur advertising expense consisting of traffic generation costs from search engines and Internet portals, other online and offline (including television) advertising expense, promotions and public relations to promote our brands. We expense the costs associated with communicating the advertisements in the period in which the advertisement takes place. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. For the years ended December 31, 2013, 2012 and 2011, our advertising expense was \$236.5 million, \$175.0 million, and \$135.6 million, respectively. As of December 31, 2013 and 2012, we had \$1.3 million and \$1.4 million of prepaid marketing expenses included in prepaid expenses and other current assets.

Stock-Based Compensation

Stock Options. The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant.

The estimated fair value of stock options is calculated using a Black-Scholes Merton option-pricing model ("Black-Scholes model"). The Black-Scholes model incorporates assumptions to value stock-based awards, which includes the risk-free rate of return, expected volatility, expected term and expected dividend yield.

Our risk-free interest rate is based on the rates currently available on zero-coupon U.S. Treasury issues, in effect at the time of the grant, whose remaining maturity period most closely approximates the stock option's expected term assumption. We estimate volatility of our common stock by using an average of our historical stock price volatility and of publicly traded companies that we consider peers based on daily price observations over a period equivalent to or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor with a peer group was based upon the relatively short period of availability of data on our common stock. We estimate our expected term using the simplified method for all stock options as we do not have sufficient historical exercise data on our common stock. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date and do not expect to pay any cash dividends for the foreseeable future.

Restricted Stock Units. RSUs are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value of stock options and RSUs, net of estimated forfeitures, as stock-based compensation expense over the vesting term of generally four years on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. We use historical data to estimate pre-vesting stock option and RSU forfeitures and record share-based compensation expense only for those awards that are expected to vest. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment in the period of change which also impacts the amount of stock compensation expense to be recognized in future periods.

Performance-based stock options and RSUs vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of performance-based awards is determined based on the fair value, which is calculated using the same method as our service based stock options and RSUs described above. We then assess whether it is probable that the performance targets would be achieved. If assessed as probable, compensation expense will be recorded for these awards over the estimated performance period. At each reporting period, we will reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

Deferred Merchant Payables

We receive cash from travelers at the time of booking related to our vacation rental and transaction-based businesses and we record these amounts, net of commissions, on our consolidated balance sheets as deferred merchant payables. We pay the hotel or vacation rental owners after the travelers' use and subsequent billing from the hotel or vacation rental owners. Therefore, we receive cash from the traveler prior to paying the hotel or vacation rental owners, and this operating cycle represents a working capital source of cash to us. As long as our transaction-based businesses grow, we expect that changes in working capital related to these transactions will positively impact operating cash flows. As of December 31, 2013, our deferred merchant payables balance was \$29.6 million and for the year ended December 31, 2013, the related transactions generated positive operating cash flow of \$16.8 million. A payable balance of \$11.5 million was acquired with our business acquisitions during the year ended December 31, 2013, and therefore is included within investing activities in our consolidated and combined cashflow statements. For additional information on our business acquisitions refer to "Note 3—*Acquisitions*" below. The deferred merchant payables balance at December 31, 2012 was \$1.3 million.

Credit Risk and Concentrations

Financial instruments, which potentially subject us to concentration of credit risk, consist primarily of cash and cash equivalents, corporate debt securities, foreign exchange contracts, accounts receivable and customer concentrations. We maintain some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. Our cash and cash equivalents are primarily composed of prime institutional money market funds as well as bank account balances primarily denominated in U.S. dollars, Euros, British pound sterling, Chinese renminbi and Singapore dollars. We invest in highly-rated corporate debt securities, and our investment policy limits the amount of credit exposure to any one issuer,

industry group and currency. Our credit risk related to corporate debt securities is also mitigated by the relatively short maturity period required by our investment policy. Foreign exchange contracts are transacted with various international financial institutions with high credit standing.

Our business is also subject to certain risks due to concentrations related to dependence on our relationships with our customers. We are highly dependent on our advertising and media relationship with Expedia, (see “Note 15—*Related Party Transactions*”). For the years ended December 31, 2013, 2012 and 2011 our two most significant advertising customers, Expedia and Priceline, accounted for a combined 47%, 48% and 49% of total revenue, respectively. As of December 31, 2013 and 2012, there were no customers that accounted for 10% or more of our accounts receivable. Our overall credit risk related to accounts receivable is mitigated by the relatively short collection period.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated and combined statements of operations. We provide disclosure in the notes to the consolidated and combined financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated and combined financial statements.

Comprehensive Income (Loss)

Comprehensive loss currently consists of net income (loss), cumulative foreign currency translation adjustments, and unrealized gains and losses on available-for-sale securities, net of tax.

Earnings per Share (EPS)

In connection with the Spin-Off a one-for-two reverse stock split of outstanding Expedia capital stock occurred immediately prior to the Spin-Off, which resulted in 120,661,020 shares of common stock and 12,799,999 shares of Class B common stock outstanding immediately following the Spin-Off.

Basic Earnings Per Share

We compute basic earnings per share by dividing net income attributable to TripAdvisor by the weighted average number of common shares outstanding during the period. We compute the weighted average number of common shares outstanding during the reporting period using the total of common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted average of any additional shares issued and outstanding less the weighted average of any treasury shares repurchased during the reporting period.

For the year ended December 31, 2011, we computed basic earnings per share using the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, as if such shares were outstanding for the entire period prior to the Spin-Off, plus the weighted average of any additional shares issued and outstanding following the Spin-Off date through December 31, 2011.

Diluted Earnings Per Share

We compute diluted earnings per share by dividing net income attributable to TripAdvisor by the sum of the weighted average number of common and common equivalent shares outstanding during the period. We computed the weighted average number of common and common equivalent shares outstanding during the period using the sum of (i) the number of shares of common stock and Class B common stock used in the basic earnings per share calculation as indicated above, and (ii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of outstanding common equivalent shares related to stock options, stock warrants and the vesting of restricted stock units using the treasury stock method, and (iii) if dilutive, performance based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

We treated all outstanding equity awards assumed at Spin-Off as if they were granted as of the Spin-Off and we included them in our diluted earnings per share calculation for the year ended December 31, 2011, based on the number of days they were outstanding.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise, the average unrecognized compensation cost during the period and any tax benefits credited upon exercise to additional paid-in-capital. The treasury stock method assumes that a company uses the proceeds from the exercise of an award to repurchase common stock at the average market price for the period. Windfall tax benefits created upon the exercise of an award would be added to assumed proceeds, while shortfalls charged to additional paid-in-capital would be deducted from assumed proceeds. Any shortfalls not covered by the windfall tax pool would be charged to the income statement and would be excluded from the calculation of assumed proceeds, if any.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating diluted earnings per share (in thousands, except for per share information) for the periods presented:

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Numerator:			
Net income attributable to TripAdvisor, Inc.	\$205,443	\$194,069	\$177,677
Denominator:			
Weighted average shares used to compute Basic EPS	142,854	139,462	133,461
Effect of dilutive securities:			
Stock options	2,131	1,207	1,164
RSUs	278	161	240
Stock warrants	—	511	—
Weighted average shares used to compute Diluted EPS	<u>145,263</u>	<u>141,341</u>	<u>134,865</u>
Basic EPS	\$ 1.44	\$ 1.39	\$ 1.33
Diluted EPS	\$ 1.41	\$ 1.37	\$ 1.32

The following potential common shares related to stock options, stock warrants and RSUs were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented:

	December 31,		
	2013 (1)	2012 (2)(3)	2011 (3)
	(In thousands)		
Stock options	2,244	3,944	2,261
RSUs	27	21	80
Warrants	—	—	8,047
Total	<u>2,271</u>	<u>3,965</u>	<u>10,388</u>

- (1) These totals do not include 155,000 performance based options and 44,000 performance based RSUs representing the right to acquire 199,000 shares of common stock for which all targets required to trigger vesting have not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.
- (2) These totals do not include performance based options representing the right to acquire 110,000 shares of common stock, respectively, for which all targets required to trigger vesting had not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.
- (3) These totals do not include performance based RSUs representing the right to acquire 200,000 and 400,000 shares of common stock at December 31, 2012 and 2011, respectively, for which all targets required to trigger vesting had not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Recently Adopted Accounting Pronouncements

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board, or FASB, issued new accounting guidance which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The new guidance requires that companies present, either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified based on its source and is effective for public companies in interim and annual reporting periods beginning after December 15, 2012. Accordingly, we have adopted these presentation requirements during the first quarter of 2013. The adoption of this new guidance did not have a material impact on our consolidated and combined financial statements or related disclosures.

New Accounting Pronouncements Not Yet Adopted

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued new accounting guidance on the presentation of unrecognized tax benefits. The new guidance requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use the deferred tax

asset for such purpose, then the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013, with early adoption permitted. Accordingly, we plan to adopt these presentation requirements during the first quarter of 2014. The adoption of this new guidance is not expected to have a material impact on our consolidated and combined financial statements or related disclosures.

NOTE 3: ACQUISITIONS

During the year ended December 31, 2013, we completed six acquisitions for total cash consideration paid of \$34.8 million, net of cash acquired. The total cash consideration is subject to adjustment based on the finalization of working capital adjustments and amounts retained with payment subject to certain indemnification obligations by the respective sellers for our benefit in future periods. We acquired TinyPost, the developer of a product that enables users to write over photos and turn them into stories, Jetsetter, a members-only private sale site for hotel bookings; CruiseWise, a cruise research and planning site; Niumba, a Spain-based vacation rental site; GateGuru, a mobile app with flight and airport information around the world; Oyster, a hotel review website featuring expert reviews and photos covering about 150 cities, all of which complement our existing brands in those areas of the travel ecosystem.

The total purchase price of these acquisitions, all of which were accounted for as purchases of businesses under the acquisition method, have been allocated to the tangible and identifiable intangible assets acquired and the net liabilities assumed based on their respective fair values on the acquisition date. The purchase price allocation of our 2013 acquisitions are preliminary and subject to revision as more information becomes available, but in any case will not be revised beyond 12 months after the acquisition date and any change to the fair value of net liabilities acquired will lead to a corresponding change to the purchase price allocable to goodwill on a retroactive basis. The primary areas of the purchase price allocation that are not yet finalized are related to the fair values of certain liabilities and income tax balances. Acquisition-related costs were expensed as incurred and were \$1.6 million during the year ended December 31, 2013 and were not material during the years ended December 31, 2012 and 2011. All acquisition related expenses were included in general and administrative expenses on our consolidated and combined statements of operations.

As no individual acquisition was material, the following table presents the aggregate components of the purchase prices initially recorded for all businesses on our consolidated balance sheets at the respective acquisition dates for the periods presented:

	December 31,		
	2013	2012	2011
	(In thousands)		
Goodwill (1)	\$29,551	\$3,043	\$6,390
Intangible assets (2)	19,195	—	1,642
Net (liabilities)/assets (3)	(9,936)	7	(16)
Deferred tax assets	693	—	—
Total (4)	<u>\$39,503</u>	<u>\$3,050</u>	<u>\$8,016</u>

- (1) The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in these transactions is primarily attributable to expected operational synergies, the assembled workforces, and the future development initiatives of the assembled workforces. Goodwill in the amount of \$14.1 million is expected to be deductible for tax purposes.
- (2) Identifiable definite-lived intangible assets acquired during 2013 were comprised of developed technology of \$2.4 million, trade names of \$7.6 million, customer relationships of \$8.0 million, and other intangibles of \$1.2 million. The overall weighted-average life of the identifiable definite-lived intangible assets acquired in the purchase of the companies during 2013 was 8.0 years, which will be amortized on a straight-line basis

over their estimated useful lives from acquisition date. The overall weighted average life of acquired intangible assets during 2011 was 2.8 years.

- (3) Includes cash acquired of \$2.9 million, \$0 million and \$0.1 million during 2013, 2012 and 2011, respectively.
- (4) Subject to adjustment based on (i) final working capital adjustment calculations to be determined, and (ii) indemnification obligations of the acquired company stockholders that remains to be paid of \$1.8 million at December 31, 2013.

Our consolidated and combined financial statements include the operating results of all acquired businesses from the date of each acquisition. We did not have any material acquisitions, individually or in the aggregate, during the years 2013, 2012 and 2011; therefore no pro-forma results have been provided.

Other Acquisition Activity

During 2012 we also paid \$22.3 million for the remaining noncontrolling interest subsidiary shares related to a 2008 acquisition, which brought our ownership to 100%. This amount is included in financing activities in the consolidated statement of cash flows for 2012.

During 2011, we paid \$13 million of contingent purchase consideration under prior acquisitions. The amount in 2011 represented an earn-out payment, of which approximately \$10 million and \$3 million are recorded to financing activities and operating activities, respectively, in the consolidated and combined statement of cash flows. All contingent consideration accrued and paid was calculated based on the financial performance of the acquired entity to which it relates. We also purchased a subsidiary in China from Expedia for \$37 million, or \$28 million net of acquired cash. This acquisition was accounted for as a common control transaction, with net liabilities recorded at a carrying value of \$4 million, including an additional \$7 million of short term borrowings from the Chinese Credit Facilities (refer to “Note 8—*Debt*” below for further information on the Chinese Credit Facilities). No goodwill or other intangibles were recorded as a result of this acquisition and no contingent payments are outstanding. The difference between the purchase price and the carrying value of the net liabilities was recorded to additional paid in capital. The results of operations from this business are included in our consolidated and combined financial statements from the transaction closing date.

NOTE 4: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS

Stock-based Compensation Expense

The following table presents the amount of stock-based compensation related to stock-based awards, primarily stock options and RSUs, on our consolidated and combined statements of operations during the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Selling and marketing	\$ 10,643	\$ 4,622	\$ 3,216
Technology and content	21,053	11,400	3,931
General and administrative	17,257	14,080	10,197
Total stock-based compensation	48,953	30,102	17,344
Income tax benefit from stock-based compensation	(18,014)	(10,648)	(6,504)
Total stock-based compensation, net of tax effect	<u>\$ 30,939</u>	<u>\$ 19,454</u>	<u>\$10,840</u>

The year ended December 31, 2011 includes a one-time modification charge of \$8.0 million related to the Spin-Off, primarily due to the modification of vested stock options that remained unexercised at the date of the Spin-Off, which the majority of was recorded to general and administrative expense. There were no material modifications to stock based awards for the years ended December 31, 2013 or 2012, respectively.

Prior to the Spin-Off, we participated in the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan, under which we, through Expedia, granted RSUs, stock options, and other stock-based awards to our directors, officers, employees and consultants. At Spin-Off, these existing Expedia stock-based awards were converted into TripAdvisor stock-based equity awards and resulted in approximately 6,575,000 stock options (of which approximately 3,548,000 were fully vested at Spin-Off) and 893,000 RSU's outstanding. These awards accounted for our 2011 stock-based compensation expense. We will continue to amortize the fair value, net of estimated forfeitures, over the remaining vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. All remaining unrecognized stock-based compensation expense related to these awards is included in "Unrecognized Stock-Based Compensation" below.

Stock and Incentive Plan

On December 20, 2011, our 2011 Stock and Annual Incentive Plan became effective. On December 20, 2011, we filed Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (File No. 333-178637) (the "Prior Registration Statement") with the Securities and Exchange Commission (the "Commission"), registering a total of 17,500,000 shares of our common stock, of which 17,400,000 shares were issuable in connection with grants of equity-based awards under our 2011 Incentive Plan (7,400,000 of which shares were originally registered on the Form S-4 and 10,000,000 of which shares were first registered on the Prior Registration Statement) and 100,000 shares were issuable under our Deferred Compensation Plan for Non-Employee Directors (refer to "Note 13—*Employee Benefit Plans*" below for information on our Deferred Compensation Plan for Non-Employee Directors).

At our annual meeting of stockholders held on June 28, 2013 (the "Annual Meeting"), our stockholders approved an amendment to our 2011 Stock and Annual Incentive Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance thereunder by 15,000,000 shares. We refer to our 2011 Stock and Annual Incentive Plan, as amended by the amendment as the "2011 Incentive Plan." A summary of the material terms of the 2011 Incentive Plan can be found in "Proposal 3: Approval of the 2011 Stock and Annual Incentive Plan, as amended" in our Proxy Statement for the Annual Meeting.

Pursuant to the 2011 Stock and Annual Incentive Plan, we may, among other things, grant RSUs, restricted stock, stock options and other stock-based awards to our directors, officers, employees and consultants. The summary of the material terms of the 2011 Incentive Plan is qualified in its entirety by the full text of the 2011 Incentive Plan previously filed.

As of December 31, 2013, the total number of shares available under the 2011 Incentive Plan is 18,085,169 shares. All shares of common stock issued in respect of the exercise of options or other equity awards since Spin-Off have been issued from authorized, but unissued common stock.

Stock Based Award Activity and Valuation

2013 Stock Option Activity

During the year ended December 31, 2013, we have issued 2,824,583 of primarily service based non-qualified stock options under the 2011 Incentive Plan. These stock options generally have a term of ten years from the date of grant and vest over a four-year requisite service period. We will amortize the fair value of the 2013 grants, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

A summary of the status and activity for stock option awards relating to our common stock for the year ended December 31, 2013, is presented below:

	<u>Options Outstanding</u> (In thousands)	<u>Weighted Average Exercise Price Per Share</u>	<u>Weighted Average Remaining Contractual Life</u> (In years)	<u>Aggregate Intrinsic Value</u> (In thousands)
Options outstanding at January 1, 2013	8,654	\$31.41		
Granted	2,825	58.03		
Exercised (1)	1,487	23.81		
Cancelled or expired	<u>522</u>	38.09		
Options outstanding at December 31, 2013	<u>9,470</u>	\$40.18	5.9	\$403,828
Exercisable as of December 31, 2013	<u>3,533</u>	\$30.11	3.0	\$186,273
Vested and expected to vest after December 31, 2013	<u>8,731</u>	\$39.94	5.7	\$374,487

(1) Inclusive of 242,767 options which were not converted into shares due to net share settlement in order to cover the aggregate exercise price and the minimum amount of required employee withholding taxes. Potential shares which had been convertible under stock options that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. We began net-share settling the majority of our stock option exercises during the third quarter of 2013. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on NASDAQ as of December 31, 2013 was \$82.83. The total intrinsic value of stock options exercised for the years ended December 31, 2013 and 2012 were \$58.2 million and \$25.1 million, respectively. No stock options were exercised between Spin-Off and December 31, 2011.

The fair value of stock option grants under the 2011 Incentive Plan has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the periods presented:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Risk free interest rate	1.41%	1.03%
Expected term (in years)	6.06	6.21
Expected volatility	50.78%	53.46%
Expected dividend yield	— %	— %

The weighted-average grant date fair value of options granted was \$28.30 and \$20.36 for the years ended December 31, 2013 and 2012, respectively. No stock options were granted under the 2011 Incentive Plan for the year ended December 31, 2011. The total fair value of stock options vested for the years ended December 31, 2013 and 2012 were \$26.6 million and \$9.8 million, respectively. No stock options were vested between Spin-Off and December 31, 2011.

2013 RSU Activity

During the year ended December 31, 2013, we issued 1,148,976 RSUs under the 2011 Incentive Plan for which the fair value was measured based on the quoted price of our common stock. These RSUs generally vest over a four-year requisite service period. We will amortize the fair value of the 2013 grants, net of estimated

forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

The following table presents a summary of RSU activity on our common stock during the year ended December 31, 2013:

	<u>RSUs Outstanding</u>	<u>Weighted Average Grant- Date Fair Value Per Share</u> (In thousands)	<u>Aggregate Intrinsic Value</u>
Unvested RSUs outstanding as of January 1, 2013	446	\$26.11	
Granted	1,149	50.72	
Vested and released (1)	363	22.95	
Cancelled	<u>97</u>	46.80	
Unvested RSUs outstanding as of December 31, 2013	<u>1,135</u>	\$49.64	\$94,125

- (1) Inclusive of 133,449 RSUs withheld to satisfy employee minimum tax withholding requirements due to net share settlement. Potential shares which had been convertible under RSUs that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.

Other Equity Activity

Upon Spin-Off, we entered into a warrant agreement (the "Warrant Agreement") with Mellon Investor Services LLC and issued warrants exercisable for TripAdvisor common stock in respect of previously outstanding warrants exercisable for Expedia common stock that were adjusted on account of Expedia's reverse stock split and the Spin-Off. In total, at Spin-Off, the warrants could have been converted into a maximum of 8,046,698 shares of our common stock without any further adjustments to the Warrant Agreement and had an expiration date of May 7, 2012.

One tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$12.23 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$6.48 per warrant, and the other tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$14.45 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$7.66 per warrant. The exercise price could have been paid in cash or via "cashless exercise" as set forth in the Warrant Agreement.

During the year ended December 31, 2012, and prior to the expiration date, there were a total of 32,186,791 warrants exercised which resulted in a total of 7,952,456 shares of our common stock being issued during that period, which included 31,641,337 warrants for which the exercise price was paid in cash at a weighted average price of \$27.11. We received total exercise proceeds of \$214.5 million related to these warrant exercises, which is reflected as a financing activity within the consolidated statement of cash flows. In addition there were 545,454 cashless warrants exercised with a weighted average exercise price of \$25.92 of which we did not receive any exercise proceeds. As a result, we currently have no outstanding warrants remaining which could be convertible to shares of our common stock.

Unrecognized Stock-Based Compensation

A summary of our remaining unrecognized compensation expense, net of estimated forfeitures, and the weighted average remaining amortization period at December 31, 2013 related to our non-vested stock options and RSU awards is presented below (in thousands, except per year information):

	<u>Stock Options</u>	<u>RSUs</u>
Unrecognized compensation expense (net of forfeitures) . . .	\$93,696	\$33,200
Weighted average period remaining (in years)	3.27	3.10

NOTE 5: FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Marketable Securities

The following tables show our cash and available-for-sale securities' amortized cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or short and long-term marketable securities as of December 31, 2013 and December 31, 2012 (in thousands):

December 31, 2013							
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cash and Cash Equivalents</u>	<u>Short-Term Marketable Securities</u>	<u>Long-Term Marketable Securities</u>
Cash	\$195,226	\$—	\$ —	\$195,226	\$195,226	\$ —	\$ —
Level 1:							
Money market funds	155,922	—	—	155,922	155,922	—	—
Level 2:							
U.S. agency securities	36,753	9	(18)	36,744	—	13,718	23,026
Certificates of deposit	23,901	17	(4)	23,914	—	16,410	7,504
Commercial paper	5,493	1	(1)	5,493	—	5,493	—
Corporate debt securities	253,597	132	(322)	253,407	—	95,599	157,808
Subtotal	319,744	159	(345)	319,558	—	131,220	188,338
Total	<u>\$670,892</u>	<u>\$159</u>	<u>\$(345)</u>	<u>\$670,706</u>	<u>\$351,148</u>	<u>\$131,220</u>	<u>\$188,338</u>

December 31, 2012							
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cash and Cash Equivalents</u>	<u>Short-Term Marketable Securities</u>	<u>Long-Term Marketable Securities</u>
Cash	\$141,460	\$—	\$ —	\$141,460	\$141,460	\$ —	\$ —
Level 1:							
Money market funds	215,052	—	—	215,052	215,052	—	—
Level 2:							
U.S. agency securities	13,634	4	(3)	13,635	—	7,635	6,000
Commercial paper	48,710	15	(22)	48,703	9,999	38,704	—
Corporate debt securities	162,050	12	(180)	161,882	1,004	67,630	93,248
Municipal securities	5,003	—	(2)	5,001	—	5,001	—
Subtotal	229,397	31	(207)	229,221	11,003	118,970	99,248
Total	<u>\$585,909</u>	<u>\$ 31</u>	<u>\$(207)</u>	<u>\$585,733</u>	<u>\$367,515</u>	<u>\$118,970</u>	<u>\$99,248</u>

Our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities, with maturities of 90 days or less at the date purchased. The remaining maturities of

our long-term marketable securities range from one to three years and our short-term marketable securities include maturities that were greater than 90 days at the date purchased and have 12 months or less remaining at December 31, 2013 and 2012, respectively.

We classify our cash equivalents and marketable securities within Level 1 and Level 2 as we value our cash equivalents and marketable securities using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we used to measure the fair value of money market funds were derived from quoted prices in active markets for identical assets or liabilities. Fair values for Level 2 investments are considered “Level 2” valuations because they are obtained from independent pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our independent pricing services against fair values obtained from another independent source.

There were no material realized gains or losses related to sales of our marketable securities for the years ended December 31, 2013, 2012 and 2011.

As of December 31, 2013, we have marketable securities with a total fair value of \$168.8 million in a total gross unrealized loss position of \$0.3 million. We consider the declines in market value of our marketable securities investment portfolio to be temporary in nature and do not consider any of our investments other-than-temporarily impaired. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and the our intent to sell, or whether it is more likely than not we will be required to sell the investment before recovery of the investment’s cost basis. During the years ended December 31, 2013, 2012 and 2011, we did not recognize any impairment charges. We did not have any material investments in marketable securities that were in a continuous unrealized loss position for 12 months or greater at December 31, 2013 or 2012.

Derivative Financial Instruments

In the normal course of business, we are exposed to the impact of foreign currency fluctuations, which we attempt to mitigate through the use of derivative instruments. Accordingly, we have entered into forward contracts to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. We do not use derivatives for trading or speculative purposes. In accordance with current accounting guidance on derivative instruments and hedging activities, we record all our derivative instruments as either an asset or liability measured at their fair value. Our derivative instruments are typically short-term in nature.

Our current forward contracts are not designated as hedges. Consequently, any gain or loss resulting from the change in fair value is recognized in the current period earnings. These gains or losses are offset by the exposure related to receivables and payables with our foreign subsidiaries. We recorded a net loss of \$0.3 million and \$0.7 million for the years ended December 31, 2013 and 2012, respectively, related to our forward contracts in our consolidated statements of operations in Other, net. The net cash received or paid related to our derivative instruments are classified as operating in our consolidated statements of cash flows, which is based on the objective of the derivative instruments. No derivative instruments were entered into or settled during the year ended December 31, 2011.

The following table shows the fair value and notional principal amounts of our outstanding or unsettled derivative instruments that are not designated as hedging instruments for the periods presented:

		December 31, 2013		
(in thousands)	Balance Sheet Caption	Fair Value of Derivative (2)		U.S. Dollar Notional
		Asset	Liability	
Foreign exchange-forward contracts (current)	Accrued and other current liabilities (1)	\$ —	\$64	\$5,164

		December 31, 2012		
(in thousands)	Balance Sheet Caption	Fair Value of Derivative (2)		U.S. Dollar Notional
		Asset	Liability	
Foreign exchange-forward contracts (current)	Accrued and other current liabilities (1)	\$ —	\$64	\$2,710

- (1) Current derivative contracts address foreign exchange fluctuations for the Euro versus the U.S. Dollar.
- (2) The fair value of our derivative liability is measured using Level 2 fair value inputs as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets, or observable market inputs.

Concentration of Credit Risk

Counterparties to currency exchange derivatives consist of major international financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. While we may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated.

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, receivables from Expedia, trade payables, deferred merchant payables, short-term debt, accrued and other current liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments as reported on the consolidated balance sheets as of December 31, 2013 and December 31, 2012. The carrying value of the long-term borrowings outstanding on our Credit Agreement bear interest at a variable rate and therefore is also considered to approximate fair value.

We did not have any Level 3 assets or liabilities at December 31, 2013 or 2012.

NOTE 6: PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following for the periods presented:

	December 31,	
	2013	2012
	(In thousands)	
Capitalized software and website development	\$ 73,575	\$ 48,527
Leasehold improvements	21,776	14,244
Computer equipment	21,124	13,174
Furniture and other equipment	5,734	5,276
	122,209	81,221
Less: accumulated depreciation	(48,625)	(37,626)
Construction in progress (1)	7,877	—
Software and website development projects in progress	67	207
Property and equipment, net	\$ 81,528	\$ 43,802

- (1) We capitalize construction in progress for build-to-suit lease agreements where we are considered the owner, for accounting purposes only, during the construction period.

As of December 31, 2013 and 2012, our recorded capitalized software and website development costs, net of accumulated amortization, were \$46.2 million and \$28.4 million, respectively. For the years ended December 31, 2013 and 2012, we capitalized \$38.4 million and \$20.2 million, respectively, related to software

and website development costs. For the years ended December 31, 2013, 2012 and 2011, we recorded amortization of capitalized software and website development costs of \$19.6 million, \$12.8 million and \$12.4 million, respectively, which is included in depreciation expense on our consolidated and combined statements of operations.

During the year ended December 31, 2013, we retired property and equipment, primarily capitalized software and website development, which were no longer in use with a total cost of \$19.7 million and associated accumulated depreciation of 18.5 million, resulting in a loss of \$1.2 million included in Other, net on our consolidated statements of operations.

NOTE 7: GOODWILL AND INTANGIBLE ASSETS, NET

The following table presents the changes in goodwill for the periods presented:

	December 31,	
	2013	2012
	(In thousands)	
Beginning balance as of January 1	\$471,684	\$466,892
Additions (1)	29,551	3,043
Purchase price allocation adjustments (2)	(873)	—
Foreign exchange translation adjustment	1,622	1,749
Ending balance as of December 31	<u>\$501,984</u>	<u>\$471,684</u>

- (1) The additions to goodwill relate to our 2013 business acquisitions. See “Note 3—*Acquisitions*,” above for further information.
- (2) Purchase price allocation adjustments related to our 2012 acquisition, primarily a tax related adjustment for acquired net operating loss carryforwards, or NOL’s.

Intangible assets, which were acquired in business combinations and recorded at fair value on the date of purchase, consist of the following for the periods presented:

	December 31,	
	2013	2012
	(In thousands)	
Intangible assets with definite lives	\$ 36,214	\$ 21,382
Less: accumulated amortization	(14,672)	(13,492)
Intangible assets with definite lives, net	21,542	7,890
Intangible assets with indefinite lives	30,300	30,300
	<u>\$ 51,842</u>	<u>\$ 38,190</u>

Amortization expense was \$5.7 million, \$6.1 million, and \$7.5 million, respectively, for the years ended December 31, 2013, 2012 and 2011.

Our indefinite-lived assets relate to trade names and trademarks. Refer to “Note 2—*Significant Accounting Policies*” above for a discussion of our annual indefinite-lived intangible asset impairment assessment.

The following table presents the components of our intangible assets with definite lives for the periods presented:

	Weighted Ave Remaining Life (in years)	December 31, 2013			December 31, 2012		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)			(In thousands)		
Trade names and trademarks	8.4	\$17,975	\$ (7,462)	\$10,513	\$14,431	\$ (9,029)	\$5,402
Subscriber relationships	6.1	13,835	(5,858)	7,977	5,617	(3,511)	2,106
Technology and other	2.7	4,404	(1,352)	3,052	1,334	(952)	382
Total	6.7	<u>\$36,214</u>	<u>\$(14,672)</u>	<u>\$21,542</u>	<u>\$21,382</u>	<u>\$(13,492)</u>	<u>\$7,890</u>

The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2013, assuming no subsequent impairment of the underlying assets, is as follows, in thousands:

2014	5,201
2015	3,264
2016	2,716
2017	2,292
2018	2,130
2019 and thereafter	5,939
Total	<u>\$21,542</u>

NOTE 8: DEBT

Term Loan Facility Due 2016 and Revolving Credit Facility

Overview

On December 20, 2011, we entered into a credit agreement, dated as of December 20, 2011, by and among TripAdvisor, TripAdvisor Holdings, LLC, and TripAdvisor LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Europe Limited, as London agent (this credit agreement, together with all exhibits, schedules, annexes, certificates, assignments and related documents contemplated thereby, is referred to herein as the “Credit Agreement”), which provides \$600 million of borrowing including:

- the Term Loan Facility, or Term Loan, in an aggregate principal amount of \$400 million with a term of five years due December 2016; and
- the Revolving Credit Facility in an aggregate principal amount of \$200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on our leverage ratio. We are also required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 150 basis points, or the Eurocurrency Spread, or the alternate base rate (“ABR”) plus 50 basis points, and undrawn amounts are currently subject to a commitment fee of 22.5 basis points. As of December 31, 2013 we are using a one-month interest period Eurocurrency Spread which is approximately 1.7% per annum. Interest is currently payable on a monthly basis while we are borrowing under the one-month interest rate period. The current interest rates are based on current assumptions, leverage and LIBOR rates and do not take into account that rates will reset periodically.

The Term Loan principal is currently repayable in quarterly installments on the last day of each calendar quarter equal to 2.5% of the original principal amount with the balance due on the final maturity date. Principal payments aggregating \$40 million were made during the year ended December 31, 2013.

The Revolving Credit Facility includes \$40 million of borrowing capacity available for letters of credit and \$40 million for borrowings on same-day notice. As of December 31, 2013 there are no outstanding borrowings under our Revolving Credit Facility.

During the years ended December 31, 2013, 2012 and 2011, we recorded total interest and commitment fees on our Credit Agreement of \$7.5 million, \$8.7 million and \$0.3 million, respectively, to interest expense on our consolidated and combined statements of operations. All unpaid interest and commitment fee amounts as of December 31, 2013 and 2012 were not material.

In connection with the Credit Agreement, we also incurred debt financing costs totaling \$3.5 million, which were capitalized as deferred financing costs. Approximately \$0.7 million, recorded in other current assets, and approximately \$ 1.1 million, reported in other long term assets, remain on the consolidated balance sheet as of December 31, 2013, net of amortization. During the years ended December 31, 2013, 2012 and 2011, we recorded amortization expense of \$0.8 million, \$0.9 million and \$0 million, respectively, to interest expense on our consolidated and consolidated statements of operations. These costs will continue to be amortized over the remaining term of the Term Loan using the effective interest rate method.

Total outstanding borrowings under the Credit Agreement consist of the following:

	December 31, 2013
	(in thousands)
Short-Term Debt:	
Revolving Credit Facility	\$ —
Term Loan	40,000
Total Short-Term Borrowings	<u>\$ 40,000</u>
Long-Term Debt:	
Term Loan	<u>\$300,000</u>
Total Long-Term Borrowings	<u>\$300,000</u>

The future minimum principal payment obligations due under the Credit Agreement related to our Term Loan is as follows:

Year Ending December 31,	Principal Payments (in thousands)
2014	\$ 40,000
2015	40,000
2016	<u>260,000</u>
Total	<u>\$340,000</u>

Prepayments

We may voluntarily repay any outstanding borrowing under the Credit Agreement at any time without premium or penalty, other than customary breakage costs with respect to eurocurrency loans.

Guarantees

All obligations under the Credit Agreement are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized direct or indirect wholly-owned domestic and foreign restricted

subsidiaries, subject to certain exceptions for subsidiaries that are controlled foreign corporations, foreign subsidiaries in jurisdictions where applicable law would otherwise be violated, and non-material subsidiaries.

Covenants

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The Credit Agreement also requires us to maintain a maximum leverage ratio and a minimum cash interest coverage ratio, and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under Credit Agreement and all actions permitted to be taken by a secured creditor.

As of December 31, 2013 we believe we are in compliance with all of our debt covenants.

Chinese Credit Facilities

In addition to our borrowings under the Credit Agreement, we maintain our Chinese Credit Facilities. As of December 31, 2013 and December 31, 2012, we had short-term borrowings outstanding of \$28.5 million and \$32.1 million, respectively.

Certain of our Chinese subsidiaries entered into a RMB 138,600,000 (approximately \$22 million), one-year revolving credit facility with Bank of America (the “Chinese Credit Facility—BOA”) that is currently subject to review on a periodic basis with no-specific expiration period. During the third quarter of 2012, this credit line was increased to RMB 189,000,000 (approximately \$30 million). During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 68,283,570 (approximately \$10.9 million). We currently have \$12.7 million of outstanding borrowings from the Chinese Credit Facility—BOA as of December 31, 2013. Our Chinese Credit Facility—BOA currently bears interest at a rate based on 100% of the People’s Bank of China’s base rate and was 5.6% as of December 31, 2013.

In addition, during April 2012, certain of our Chinese subsidiaries entered into a RMB 125,000,000 (approximately \$20 million) one-year revolving credit facility with J.P. Morgan Chase Bank (“Chinese Credit Facility-JPM”). This credit facility was renewed for an additional year in April 2013. During the year ended December 31, 2013, we made a payment inclusive of interest of RMB 24,281,546 (approximately \$3.9 million). We currently have \$15.8 million of outstanding borrowings from the Chinese Credit Facility—JPM as of December 31, 2013. Our Chinese Credit Facility—JPM currently bears interest at a rate based on 100% of the People’s Bank of China’s base rate and was 5.6% as of December 31, 2013.

NOTE 9: INCOME TAXES

The following table presents a summary of our domestic and foreign income before income taxes:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Domestic	\$129,452	\$133,361	\$121,100
Foreign	155,250	148,614	150,794
Total	<u>\$284,702</u>	<u>\$281,975</u>	<u>\$271,894</u>

The following table presents a summary of the components of our provision for income taxes:

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In thousands)		
Current income tax expense:			
Federal	\$47,784	\$55,877	\$49,736
State	8,936	5,927	7,818
Foreign	<u>17,066</u>	<u>30,543</u>	<u>37,480</u>
Current income tax expense	73,786	92,347	95,034
Deferred income tax (benefit) expense:			
Federal	6,366	(3,113)	216
State	704	(347)	148
Foreign	<u>(1,597)</u>	<u>(1,500)</u>	<u>(1,295)</u>
Deferred income tax (benefit) expense:	<u>5,473</u>	<u>(4,960)</u>	<u>(931)</u>
Provision for income taxes	<u>\$79,259</u>	<u>\$87,387</u>	<u>\$94,103</u>

For all periods presented, current and deferred tax expense has been computed using our stand-alone effective rate. As of December 31, 2013, our current income tax receivable and income tax payable balances represent amounts that we will receive and pay, respectively, to the Internal Revenue Service and other tax authorities.

For all periods prior to and through the Spin-Off date, we were a member of the Expedia consolidated tax group. Accordingly, Expedia filed a consolidated federal income tax return and certain state income tax returns with us for that period. Expedia has paid the entire income tax liability associated with these filings. As such, our income tax liability for this period was transferred to Expedia upon Spin-Off and was not included in income taxes payable as of December 31, 2011. Additionally, due to continuing ownership and business relationships after the Spin-Off, we have filed as part of a unitary combined group with Expedia for certain state tax returns for the 2012 and 2011 tax years. During 2013, we plan to file our state tax returns on a stand-alone basis, separate from Expedia, as our ownership and business relationships likely will not constitute a unitary relationship after 2012.

Our deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012 are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In thousands)	
Deferred tax assets:		
Stock-based compensation	\$ 30,081	\$ 21,605
Net operating loss carryforwards	18,005	15,005
Provision for accrued expenses	6,829	7,731
Other	<u>4,365</u>	<u>3,391</u>
Total deferred tax assets	59,280	47,732
Less valuation allowance	<u>(13,284)</u>	<u>(11,677)</u>
Net deferred tax assets	<u>\$ 45,996</u>	<u>\$ 36,055</u>
Deferred tax liabilities:		
Intangible assets	\$(31,956)	\$(28,205)
Property and equipment	(17,500)	(10,313)
Prepaid expenses	(2,010)	(2,087)
Other	<u>(2,201)</u>	<u>—</u>
Total deferred tax liabilities	<u>\$(53,667)</u>	<u>\$(40,605)</u>
Net deferred tax liability	<u>\$ (7,671)</u>	<u>\$ (4,550)</u>

At December 31, 2013, we had federal, state and foreign net operating loss carryforwards (“NOLs”) of approximately \$ 12.5 million, \$12.4 million and \$51.0 million. If not utilized, the federal and state NOLs will expire at various times between 2020 and 2033 and the foreign NOLs will expire at various times between 2013 and 2031.

At December 31, 2013, we had a valuation allowance of \$13.3 million primarily related to foreign net operating loss carryforwards for which it is more likely than not that the tax benefit will not be realized. This amount represented an overall increase of \$1.6 million over the amount recorded as of December 31, 2012.

We have not provided for deferred U.S. income taxes on undistributed earnings of our foreign subsidiaries that we intend to reinvest permanently outside the United States; the total amount of such earnings as of December 31, 2013 was \$481.0 million. Should we distribute or be treated under certain U.S. tax rules as having distributed earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable at this time to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

A reconciliation of the provision for income taxes to the amounts computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Income tax expense at the federal statutory rate of 35%	\$ 99,646	\$ 98,691	\$ 95,163
Foreign rate differential	(41,487)	(25,069)	(15,319)
State income taxes, net of effect of federal tax benefit	8,339	5,581	4,240
Unrecognized tax benefits and related interest	9,307	4,853	2,570
Non-deductible transaction costs	253	—	2,426
Change in valuation allowance	1,999	2,535	3,451
Other, net	1,202	796	1,572
Provision for income taxes	<u>\$ 79,259</u>	<u>\$ 87,387</u>	<u>\$ 94,103</u>

During the fourth quarter of 2012, we restructured our non-U.S. operations to align our global structure for more efficient treasury management and global cash deployment. As a result, and due to the continued expansion of our non-U.S. operations, we expect our effective tax rate to continue to decrease.

During 2011, the Singapore Economic Development Board accepted our application to receive a tax incentive under the International Headquarters Award. This incentive provides for a reduced tax rate on qualifying income of 5% as compared to Singapore’s statutory tax rate of 17% and is conditional upon our meeting certain employment and investment thresholds. This agreement is set to expire on June 30, 2016, with the ability to extend for another five years. This benefit resulted in a decrease to the 2013 tax provision of \$4.3 million.

By virtue of previously filed consolidated income tax returns filed with Expedia, we are routinely under audit by federal, state and foreign tax authorities. We are currently under an IRS audit for the 2009 and 2010 tax years, and have various ongoing state income tax audits. As of December 31, 2013, no material assessments have resulted from these audits. These audits include questioning the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. Annual tax provisions include amounts considered sufficient to pay assessments that may result from the examination of prior year returns. We are no longer subject to tax examinations by tax authorities for years prior to 2007.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	December 31,		
	2013	2012	2011
	(In thousands)		
Balance, beginning of year	\$24,049	\$12,900	\$ 6,342
Increases to tax positions related to the current year	12,158	11,854	5,631
Increases to tax positions related to the prior year	3,936	540	927
Reductions due to lapsed statute of limitations	—	—	—
Decreases to tax positions related to the prior year	(3,640)	—	—
Settlements during current year	(76)	(1,245)	—
Balance, end of year	<u>\$36,427</u>	<u>\$24,049</u>	<u>\$12,900</u>

As of December 31, 2013, we had \$36.4 million of unrecognized tax benefits, which is classified as long-term and included in other long-term liabilities. Included in this balance at December 31, 2013 was \$19.0 million of liabilities for uncertain tax positions that, if recognized, would decrease our provision for income taxes. We recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2013 and 2012, total gross interest and penalties accrued was \$1.7 million and \$1.0 million, respectively. We estimate that none of these amounts will be paid within the next year.

NOTE 10: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following for the periods presented:

	December 31,	
	2013	2012
	(In thousands)	
Accrued salary, bonus, and related benefits	\$34,756	\$29,438
Accrued marketing costs	21,901	11,941
Accrued charitable foundation payments (1)	7,217	6,757
Other	21,660	15,100
Total accrued expenses and other current liabilities	<u>\$85,534</u>	<u>\$63,236</u>

- (1) See “Note 12—*Commitments and Contingencies*” below for information regarding our charitable foundation.

NOTE 11: OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following for the periods presented:

	December 31,	
	2013	2012
	(In thousands)	
Unrecognized tax benefits (1)	\$38,072	\$23,138
Construction liabilities (2)	7,877	—
Other (3)	6,582	2,425
Total other long-term liabilities	<u>\$52,531</u>	<u>\$25,563</u>

- (1) See “Note 9—*Income Taxes*” above for additional information on our unrecognized tax benefits. Amount includes accrued interest and penalties related to this liability.

- (2) We capitalize construction in progress and record a corresponding long-term liability for build-to-suit lease agreements where we are considered the owner during the construction period for accounting purposes only.
- (3) Amounts primarily consist of long term deferred rent balances related to operating leases for office space.

NOTE 12: COMMITMENTS AND CONTINGENCIES

We have commitments and obligations that include office space leases, vendor purchase obligations and expected interest on long-term debt, which are not accrued on the consolidated balance sheet at December 31, 2013 but we expect to require future cash outflows and in some cases may be accelerated upon demand of a third party upon certain contingent events.

Office Lease Commitments

We have contractual obligations in the form of operating leases for office space for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Operating lease obligations expire at various dates with the latest maturity in December 2030. For the years ended December 31, 2013, 2012 and 2011, we recorded rental expense of \$10.9 million, \$7.8 million and \$6.0 million, respectively.

We currently lease approximately 119,000 square feet for our corporate headquarters in Newton, Massachusetts, pursuant to a lease with an expiration date of April 2015. We also lease an aggregate of approximately 382,000 square feet at approximately 30 other locations across North America, Europe and Asia Pacific, primarily for our international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through December 2030.

In June 2013, TripAdvisor LLC (“TA LLC”), our indirect, wholly owned subsidiary, entered into a lease (the “Lease”), for a new corporate headquarters. Pursuant to the Lease, the landlord will build an approximately 280,000 square foot rental building in Needham, Massachusetts (the “Premises”), and thereafter lease the Premises to TA LLC as TripAdvisor’s new corporate headquarters for an initial term of 15 years and 7 months. If the landlord fails to deliver the Premises according to the schedule, subject to certain conditions, TA LLC may be entitled to additional free rent, or in extreme cases, a right to terminate the Lease. Under the Lease, TA LLC is required to pay an initial base rent of \$33.00 per square foot per year, increasing to \$34.50 per square foot by the final year of the initial term, as well as all real estate taxes and other building operating costs. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each.

The aggregate future minimum lease payments are \$143.5 million and are currently scheduled to be paid, beginning in November 2015, as follows: \$1.1 million for 2015, \$9.3 million for 2016, \$9.3 million for 2017, \$9.3 million for 2018 and \$114.6 million for 2019 and thereafter. The Lease has escalating rental payments and initial periods of free rent. TA LLC was also obligated to deliver a letter of credit to the Landlord in the amount of \$0.8 million as security deposit, which amount is subject to increase under certain circumstances. TA LLC also has an option to extend the term of the Lease for two consecutive terms of five years each. Subject to certain conditions, TA LLC has certain rights under the Lease, including rights of first offer to lease additional space or to purchase the Premises if the Landlord elects to sell. In connection with the Lease, TripAdvisor entered into a Guaranty (the “Guaranty”), pursuant to which TripAdvisor provides full payment and performance guaranty for all of TA LLC’s obligations under the Lease.

We have concluded we are the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. As building construction began in the fourth quarter of 2013, we recorded estimated project construction costs incurred by the landlord as an asset and a corresponding long term liability in “Property and equipment, net” and “Other long-term liabilities,” respectively, on our consolidated balance sheets. We will increase the asset and corresponding long term liability as additional building costs are incurred by the landlord during the construction period.

Once the landlord completes the construction of the Premises (estimated to be May 2015), we will evaluate the Lease in order to determine whether or not the Lease meets the criteria for “sale-leaseback” treatment. If the Lease meets the “sale-leaseback” criteria, we will remove the asset and the related liability from its consolidated balance sheet and treat the Lease as either an operating or capital lease based on the our assessment of the accounting guidance.

If the Lease does not meet “sale-leaseback” criteria, we will treat the Lease as a financing obligation and lease payments will be attributed to (1) a reduction of the principal financing obligation; (2) imputed interest expense; and (3) land lease expense (which is considered an operating lease) representing an imputed cost to lease the underlying land of the facility. In addition, the underlying building asset will be depreciated over the building’s estimated useful life. And at the conclusion of the lease term, we would de-recognize both the net book values of the asset and financing obligation. Although we will not begin making lease payments pursuant to the Lease until November 2015, the portion of the lease obligations allocated to the land is treated for accounting purposes as an operating lease that commenced in 2013.

Purchase Obligations

As of December 31, 2013, we had minimum non-cancelable purchase obligations with certain of our vendors, which we expect to utilize in the ordinary course of business. The expected timing and payment amounts are listed in the table below.

The following table summarizes our material commitments and obligations as of December 31, 2013 and excludes amounts already recorded on the consolidated balance sheet:

	<u>Total</u>	<u>By Period</u>			
		<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
		(In thousands)			
Operating leases (1)	\$ 85,495	\$12,639	\$18,987	\$15,989	\$ 37,880
Build to suit lease obligation (2)	143,524	—	10,346	18,539	114,639
Purchase obligations	856	511	345	—	—
Expected interest payments on Term Loan (3)	14,450	5,525	8,925	—	—
Total (4)(5)(6)	<u>\$244,325</u>	<u>\$18,675</u>	<u>\$38,603</u>	<u>\$34,528</u>	<u>\$152,519</u>

- (1) Estimated future minimum rental payments under operating leases with non-cancelable lease terms.
- (2) Estimated future minimum rental payments for our future corporate headquarters in Needham, MA.
- (3) The amounts included as expected interest payments on the Term Loan in this table are based on the current effective interest rate and payment terms as of December 31, 2013, but, could change significantly in the future. Amounts assume that our existing debt is repaid at maturity and do not assume additional borrowings or refinancings of existing debt. Refer to “Note 8—*Debt*” above for additional information, including principal payments expected to be paid over the next three years, on our Term Loan.
- (4) Excluded from the table was \$38 million of unrecognized tax benefits, including interest and penalties, that we have recorded in other long-term liabilities for which we cannot make a reasonably reliable estimate of the amount and period of payment. We estimate that none of these amounts will be paid within the next twelve months.
- (5) In connection with the Spin-Off, we assumed Expedia’s obligation to fund a charitable foundation. The Board of Directors of the charitable foundation is currently comprised of Stephen Kaufer- President and Chief Executive Officer, Julie M.B. Bradley-Chief Financial Officer and Seth J. Kalvert- Senior Vice President, General Counsel and Secretary. Our obligation was calculated at 2.0% of OIBA in 2013. For a discussion regarding OIBA see “Note 16—*Segment Information*” in the notes to the consolidated and combined financial statements. This future commitment has been excluded from the table above.

- (6) Excludes spending on anticipated leasehold improvements on our Needham, Massachusetts lease, including design, development, construction costs, and the purchase and installation of equipment, net of related Landlord incentives, which we estimate will begin in the fourth quarter of 2014 thru the second quarter of 2015 and currently estimate will cost in the range of \$35-\$40 million.

Letters of Credit

As of December 31, 2013, we have issued unused letters of credit totaling \$1 million, related to our property leases.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the SEC, that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources at December 31, 2013.

Legal Proceedings

In the ordinary course of business, we and our subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that the Company and its subsidiaries are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

NOTE 13: EMPLOYEE BENEFIT PLANS

Expedia 401(k) Plan

Our U.S. employees were generally eligible to participate in Expedia's retirement and savings plan (the "Expedia 401(k) Plan") that qualified under Section 401(k) of the Internal Revenue Code until October 31, 2011. Our employees ceased to participate in the Expedia 401(k) Plan after our retirement savings plan was established on November 1, 2011 as described below. Within the Expedia 401(k) Plan, participating employees could contribute up to 50% of their pretax salary, but not more than statutory limits. We matched 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. Our employer matching contributions vested after two years of continuous service. Participating employees had the option to invest in Expedia's common stock, but there was no requirement for participating employees to invest their contribution or our matching contribution in Expedia's common stock. Expedia also had various defined contribution plans for our international employees. Contributions to these benefit plans for our employees were \$2 million for the year ended December 31, 2011, respectively.

TripAdvisor Retirement Savings Plan

Effective November 1, 2011, most of our U.S. employees were eligible to participate in a new retirement and savings plan, the TripAdvisor Retirement Savings Plan (the "401(k) Plan"), that qualifies under Section 401(k) of the Internal Revenue Code. The 401(k) Plan is similar to and replaced the Expedia 401(k) Plan, allowing participating employees to make contributions of a specified percentage of their eligible compensation. Participating employees may contribute up to 50% of their eligible salary on a pre-tax basis, but not more than statutory limits. Employee-participants age 50 and over may also contribute an additional amount of their salary on a pre-tax tax basis up to the IRS Catch-Up Provision Limit. Employees may also contribute into the 401(k)

Plan on an after-tax basis up to an annual maximum of 10%. The 401(k) Plan has an automatic enrollment feature at 3% pre-tax. We match 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. The "catch up contributions", are not eligible for employer matching contributions. The matching contributions portion of an employee's account, vests after two years of service. Effective June 8, 2012 the 401(k) Plan permits certain after-tax Roth 401(k) contributions. Additionally, at the end of the 401 (k) Plan year, we make a discretionary matching contribution to eligible participants. This additional discretionary matching employer contribution referred to as "true up" is limited to match only contributions up to 3% of eligible compensation.

Our employee's interests were rolled into the 401(k) Plan from the Expedia 401(k) Plan in connection with the creation of our new plan on November 1, 2011. We also have various defined contribution plans for our international employees. Our contribution to the 401(k) Plan and our international defined contribution plans was not material for the period from November 1, 2011 through December 31, 2011 and \$4.8 million and \$3.1 million for the years ended December 31, 2013 and 2012, respectively.

TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors

On December 20, 2011, the TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Plan") became effective. Under the Plan, eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units, representing the number of shares of our common stock that could have been purchased on the date such fees would otherwise be payable, or (ii) credited to a cash fund. The cash fund will be credited with interest at an annual rate equal to the weighted average prime or base lending rate of a financial institution selected in accordance with the terms of the Plan and applicable law. Upon termination of service as a director of TripAdvisor, a director will receive (i) with respect to share units, such number of shares of our common stock as the share units represent, and (ii) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five annual installments, as elected by the eligible director at the time of the deferral election.

Under the 2011 Incentive Plan, 100,000 shares of TripAdvisor common stock are available for issuance to non-employee directors. There have been no shares of common stock issued from the inception of the Plan through December 31, 2013.

NOTE 14: STOCKHOLDERS' EQUITY

Preferred Stock

In addition to common stock, we are authorized to issue up to 100 million preferred shares, with \$ 0.001 par value per share, with terms determined by our Board of Directors, without further action by our stockholders. At December 31, 2013, no preferred shares had been issued.

Common Stock and Class B Common Stock

Our authorized common stock consists of 1.6 billion shares of common stock with par value of \$0.001 per share, and 400 million shares of Class B common stock with par value of \$0.001 per share. Both classes of common stock qualify for and share equally in dividends, if declared by our Board of Directors. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share on most matters. Holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number, which was three directors as of December 31, 2013. Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of TripAdvisor the holders of both classes of common stock have equal rights to receive all the assets of TripAdvisor after the rights of the holders of the preferred stock have been satisfied. There were 131,537,798 and 129,417,089 shares of common

stock issued and outstanding, respectively, at December 31, 2013 and 12,799,999 shares of Class B common stock issued and outstanding at December 31, 2013.

Spin-Off Adjustments to Invested Equity and Additional Paid-in Capital

The table below reflects the accounting treatment related to the formation of TripAdvisor and the transfer to us by Expedia of the post-Spin-Off net assets of TripAdvisor in 2011 after giving effect to the terms provided for in the Separation Agreement between Expedia and us.

<u>(in thousands)</u>	<u>Total Amount</u>
Invested equity prior to Spin-Off	\$ 693,447
Distribution to Expedia (1)	(405,516)
Adjustment to distribution from Expedia (2)	7,028
Receivable from Expedia extinguished, net (3)	(1,525)
Common shares issued (4)	(121)
Class B shares issued (4)	(13)
Beginning Additional-Paid-In-Capital	<u>\$ 293,300</u>

- (1) The transfer of \$405.5 million in cash to Expedia in form of dividend, prior to our separation from Expedia.
- (2) Per the Separation Agreement, we were to retain \$165 million in cash on hand immediately following the Spin-Off. The agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained and all amounts in excess of \$165 million were remitted to Expedia. The completion of this reconciliation resulted in TripAdvisor recording an additional receivable from Expedia of \$7 million at December 31, 2011 which was subsequently received by us during 2012.
- (3) The extinguishment of domestic intercompany receivables from Expedia, including transfers of assets and liabilities at Spin-Off.
- (4) The reclassification of 120,661,020 shares of Expedia common stock and 12,799,999 shares of Expedia Class B common stock into, in part, shares of Expedia mandatory exchangeable preferred stock that automatically, immediately following the reclassification, exchanged into 120,661,020 shares of TripAdvisor Common Stock and 12,799,999 shares of TripAdvisor Class B common stock to effect the transfer of ownership of TripAdvisor from Expedia to Expedia’s shareholders based upon a ratio of one share of the respective class of TripAdvisor common stock for each share of the respective class of Expedia common stock and the number of Expedia common and Class B common shares outstanding as of December 20, 2011 after giving effect to the one-for-two reverse stock split of Expedia shares in connection with, and immediately prior to, the Spin-Off.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is primarily comprised of accumulated foreign currency translation adjustments, as follows for the periods presented:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>(In thousands)</u>	
Net unrealized gain (loss) on securities, net of tax (1)	\$(108)	\$(104)
Cumulative foreign currency translation adjustments (2)	(217)	(765)
Total accumulated other comprehensive income (losses)	<u>\$(325)</u>	<u>\$(869)</u>

- (1) Net of unrealized tax benefits of \$0.1 million at both December 31, 2013 and 2012, respectively.
- (2) Our foreign subsidiary earnings are considered indefinitely reinvested; therefore; deferred taxes are not provided on foreign currency translation adjustments.

Treasury Stock

On February 15, 2013, our Board of Directors authorized the repurchase of \$250 million of our shares of common stock under a share repurchase program. We intend to use available cash and future cash from operations to fund repurchases under the share repurchase program. The repurchase program has no expiration date but may be suspended or terminated by the Board of Directors at any time. Our Board of Directors will determine the price, timing, amount and method of such repurchases based on its evaluation of market conditions and other factors, and any shares repurchased will be in compliance with applicable legal requirements, at prices determined to be attractive and in the best interests of both the Company and its stockholders.

During the year ended December 31, 2013, we repurchased 2,120,709 shares of outstanding common stock under the share repurchase program at an aggregate cost of \$145.2 million. As of December 31, 2013, from the authorized share repurchase program granted by the Board of Directors we have \$104.8 million remaining to repurchase shares of our common stock.

Dividends

During the period January 1, 2013 through December 31, 2013, our Board of Directors did not declare any dividends on our outstanding common stock and do not expect to pay any dividends for the foreseeable future.

NOTE 15: RELATED PARTY TRANSACTIONS

Relationship between Expedia and TripAdvisor

Upon consummation of the Spin-Off, Expedia was considered a related party under GAAP based on a number of factors, including, among others, common ownership of our shares and those of Expedia. A number of those factors no longer exist; as a result, we no longer consider Expedia a related party; however, due to the importance of our relationship with Expedia, for purposes of these financial statements for the year ended December 31, 2013, we have continued to list separately in our consolidated and combined financial statements revenue and receivables from Expedia.

Revenue from Expedia was \$217.4 million, 203.8 million and \$211.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, which primarily consists of click-based advertising and other advertising services provided to Expedia and its subsidiaries and is recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Revenue represented 23%, 27% and 33% of our total revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Other operating expenses which were included primarily within selling and marketing expense were \$6.0 million, \$6.4 million, and \$4.3 million for the years ended December 31, 2013, 2012 and 2011, respectively, primarily consisted of marketing expense for exit windows. The receivable balances with Expedia reflected in our consolidated balance sheets as of December 31, 2013 and December 31, 2012 were \$15.8 million and \$24.0 million, respectively.

Prior to the Spin-Off, our operating expenses included a shared services fee, which was \$9.2 million for the year ended December 31, 2011, which was comprised of allocations from Expedia for accounting, legal, tax, corporate development, financial reporting, treasury and real estate functions and included an allocation of employee compensation within these functions. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. It was not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity. In the opinion of our management, the allocation method was reasonable.

We transferred \$405.5 million in cash to Expedia in the form of a dividend, prior to completion of the Spin-Off. Per the Separation Agreement we were to retain \$165 million in cash on hand immediately following the Spin-off and the agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained. The completion of this reconciliation resulted in us recording an additional receivable from Expedia of \$7 million at December 31, 2011, which was subsequently received by us during 2012.

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia entered into various agreements, including, among others, the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and Transition Services Agreement, and commercial agreements. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and the Transition Services Agreement are incorporated by reference in this Annual Report on Form 10-K as Exhibits 2.1, 10.2, 10.3 and 10.4. TripAdvisor has satisfied its obligations under the Separation Agreement, the Employee Matters Agreement and the Transition Services Agreement. TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement.

Relationship between Liberty and TripAdvisor

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates (the "Stock Purchase"). As of December 31, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.8% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.8% of our voting power.

We had no other material related party transactions with Liberty during the years ended December 31, 2013, 2012 or 2011.

NOTE 16: SEGMENT AND GEOGRAPHIC INFORMATION

Segment Information

We have one operating and reportable segment: TripAdvisor. We determined our segment based on how our chief operating decision maker manages our business, makes operating decisions, evaluates operating performance and allocates resources. The chief operating decision maker for the Company is our Chief Executive Officer.

Our primary operating metric for evaluating segment performance is Adjusted EBITDA. We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) depreciation of property and equipment, including internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation; and (6) non-recurring expenses. Such amounts are detailed in our segment reconciliation below. In addition, please see our discussion of Adjusted EBITDA in the section of this Annual Report on Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table is a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Adjusted EBITDA	\$378,753	\$352,474	\$322,918
Depreciation (1)	(29,495)	(19,966)	(18,362)
OIBA (2)	349,258	332,508	304,556
Amortization of intangible assets	(5,731)	(6,110)	(7,523)
Stock-based compensation	(48,953)	(30,102)	(17,344)
Spin-Off costs	—	—	(6,932)
Other expense, net	(9,872)	(14,321)	(863)
Provision for income taxes	(79,259)	(87,387)	(94,103)
Net income	205,443	194,588	177,791

- (1) Includes amortization of internal use software and website development costs.
- (2) We define OIBA as net income (loss) plus: (1) provision for income taxes; (2) other (income) expense, net; (3) amortization of intangible assets; (4) stock-based compensation; and (5) non-recurring expenses. This operating metric is only used by our management to calculate our annual obligation for our charitable foundation. Refer to “Note 12—Commitments and Contingencies” above for a discussion of our charitable foundation.

Revenue and Geographic Information

We derive substantially all of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. The remainder of our revenue is generated through a combination of subscription-based offerings, transaction revenue from selling room nights on our transactional sites, vacation rentals, and other revenue including content licensing.

The following table presents revenue by product for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Click-based advertising	\$696,046	\$587,781	\$499,993
Display-based advertising	118,964	94,147	85,736
Subscription, transaction and other	129,651	81,038	51,334
Total revenue	\$944,661	\$762,966	\$637,063

The following table presents revenue by geographic area, the United States, the United Kingdom and all other countries, based on the geographic location of our websites for the periods presented:

Revenue	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
United States	\$462,920	\$386,211	\$348,066
United Kingdom	119,041	110,213	99,646
All other countries	362,700	266,542	189,351
	\$944,661	\$762,966	\$637,063

The following table presents property and equipment, net for the United States and all other countries based on the geographic location of the assets for the periods presented:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
	(in thousands)	
Property and equipment, net		
United States	\$67,275	\$36,255
All other countries	14,253	7,547
	<u>\$81,528</u>	<u>\$43,802</u>

NOTE 17: OTHER INCOME (EXPENSE), NET

The following table presents the detail of other income (expense), net, for the periods presented:

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands)		
Net loss, realized and unrealized, on foreign exchange and foreign currency derivative contracts	\$ (210)	\$(3,220)	\$(1,006)
Other non-operating expense, net	<u>(1,326)</u>	<u>(230)</u>	<u>(248)</u>
Total other income (expense), net	<u>\$(1,536)</u>	<u>\$(3,450)</u>	<u>\$(1,254)</u>

TripAdvisor, Inc
Quarterly Financial Information (Unaudited)
(in thousands, except per share data)

The following table presents selected unaudited financial information for the eight quarters in the period ended December 31, 2013. The results for any quarter are not necessarily indicative of future quarterly results and, accordingly, period to period comparisons should not be relied upon as an indication of future performance.

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands)			
Year ended December 31, 2013				
Revenue	\$229,919	\$246,937	\$255,136	\$212,669
Operating income	88,303	94,118	83,694	28,459
Net income	62,299	66,988	55,882	20,274
Net income attributable to TripAdvisor, Inc.	62,299	66,988	55,882	20,274
Basic earnings per share	\$ 0.44	\$ 0.47	\$ 0.39	\$ 0.14
Diluted earnings per share	\$ 0.43	\$ 0.46	\$ 0.38	\$ 0.14
Year ended December 31, 2012				
Revenue	\$183,715	\$197,148	\$212,710	\$169,393
Operating income	73,377	83,678	92,249	46,992
Net income	48,171	53,165	59,535	33,717
Net income attributable to TripAdvisor, Inc.	48,111	53,019	59,360	33,579
Basic earnings per share	\$ 0.36	\$ 0.38	\$ 0.42	\$ 0.24
Diluted earnings per share	\$ 0.35	\$ 0.37	\$ 0.41	\$ 0.23

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

None.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

As of December 31, 2013, our management, with the participation of our Chief Executive Officer and President and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and President and our Chief Financial Officer concluded that, as of December 31, 2013, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and President and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective control over financial reporting described in *Internal Control—Integrated Framework(1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's management evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, excluding an assessment of internal control over financial reporting of Jetsetter and its subsidiaries, which was acquired on April 9, 2013 and whose consolidated financial statements represent less than 1 percent of total assets and less than 1 percent of total revenue of the Company's consolidated financial statement amounts as of and for the year ended December 31, 2013. Based on this evaluation, management has concluded that, as of December 31, 2013, our internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee. Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2013, as stated in their report which is included below.

Limitations on Effectiveness of Controls and Procedures

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TripAdvisor, Inc.

We have audited TripAdvisor, Inc.'s internal control over financial reporting as of December 31, 2013 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). TripAdvisor, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of JetSetter and its subsidiaries which is included in the 2013 consolidated financial statements of TripAdvisor, Inc. and constituted less than 1 percent of total assets and less than 1 percent of total revenues for the year then ended. Our audit of internal control over financial reporting of TripAdvisor, Inc. also did not include an evaluation of the internal control over financial reporting of JetSetter and its subsidiaries.

In our opinion, TripAdvisor, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TripAdvisor, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 of TripAdvisor, Inc. and our report dated February 11, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 11, 2014

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to our 2014 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2013.

Item 11. Executive Compensation

The information required under this item is incorporated herein by reference to our 2014 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2013.

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

The information required under this item is incorporated herein by reference to our 2014 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2013.

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

The information required under this item is incorporated herein by reference to our 2014 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2013.

Item 14. Principal Accounting Fees and Services

The information required under this item is incorporated herein by reference to our 2014 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2013.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following is filed as part of this Annual Report on Form 10-K:

1. *Consolidated and Combined Financial Statements*: The consolidated and combined financial statements and report of independent registered public accounting firm required by this item are included in Part II, Item 8.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated and combined financial statements or in the notes thereto.

(b) Exhibits: The attached list of exhibits in the “Exhibit Index” immediately preceding the exhibits to this annual report is incorporated herein by reference in response to this item.

Signatures

Pursuant to the requirements of the Section 13 or 15(d) Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRIPADVISOR, INC.

By: /s/ STEPHEN KAUFER

Stephen Kaufer
Chief Executive Officer and
President

February 11, 2014

POWER OF ATTORNEY

We, the undersigned officers and directors of TripAdvisor, Inc., hereby severally constitute and appoint Stephen Kaufer and Julie M.B. Bradley, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable TripAdvisor, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

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 indicated on February 11, 2014.

<u>Signature</u>	<u>Title</u>
<u>/s/ STEPHEN KAUFER</u> Stephen Kaufer	Chief Executive Officer, President and Director (Principal Executive Officer)
<u>/s/ JULIE M.B. BRADLEY</u> Julie M.B. Bradley	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ GREGORY B. MAFFEI</u> Gregory B. Maffei	Chairman of the Board
<u>/s/ JONATHAN F. MILLER</u> Jonathan F. Miller	Director
<u>/s/ DIPCHAND V. NISHAR</u> Dipchand V. Nishar	Director
<u>/s/ JEREMY PHILIPS</u> Jeremy Philips	Director
<u>/s/ SPENCER M. RASCOFF</u> Spencer M. Rascoff	Director
<u>/s/ CHRISTOPHER W. SHEAN</u> Christopher W. Shean	Director
<u>/s/ SUKINDER SINGH CASSIDY</u> Sukinder Singh Cassidy	Director
<u>/s/ ROBERT S. WIESENTHAL</u> Robert S. Wiesenthal	Director

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit No.	Filing Date
2.1	Separation Agreement by and between TripAdvisor, Inc. and Expedia, Inc., dated as of December 20, 2011		8-K	001-35362	2.1	12/27/11
3.1	Restated Certificate of Incorporation of TripAdvisor, Inc.		8-K	001-35362	3.1	12/27/11
3.2	Amended and Restated Bylaws of TripAdvisor, Inc.		8-K	001-35362	3.2	12/27/11
3.3	Amended No. 1 to Amended and Restated Bylaws of TripAdvisor, Inc.		8-K	001-35362	3.1	2/12/13
4.1	Equity Warrant Agreement by and between TripAdvisor, Inc. and Mellon Investor Services LLC, as Equity Warrant Agent, dated as of December 20, 2011		8-K	001-35362	4.1	12/27/11
4.2	Specimen TripAdvisor, Inc. Common Stock Certificate		S-4/A	333-175828-01	4.6	10/24/11
10.1	Governance Agreement, by and among TripAdvisor, Inc., Liberty Interactive Corporation and Barry Diller, dated as of December 20, 2011		8-K	001-35362	10.1	12/27/11
10.2	Tax Sharing Agreement by and between TripAdvisor, Inc. and Expedia, Inc., dated as of December 20, 2011		8-K	001-35362	10.2	12/27/11
10.3	Employee Matters Agreement by and between TripAdvisor, Inc. and Expedia, Inc., dated as of December 20, 2011		8-K	001-35362	10.3	12/27/11
10.4	Transition Services Agreement by and between TripAdvisor, Inc. and Expedia, Inc., dated as of December 20, 2011		8-K	001-35362	10.4	12/27/11
10.5	Sublease between Newton Technology Park LLC and TripAdvisor LLC, dated as of October 31, 2007		S-4/A	333-175828-01	10.12	10/24/11
10.6	First Amendment to Sublease between Newton Technology Park LLC and TripAdvisor LLC, dated as of June 15, 2009		S-4/A	333-175828-01	10.13	10/24/11
10.7	Credit Agreement, by and among TripAdvisor, TripAdvisor Holdings, LLC, and TripAdvisor LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Europe Limited, as London agent, dated as of December 20, 2011		8-K	001-35362	4.2	12/27/11

Exhibit No.	Exhibit Description	Filed Herewith	Form	Incorporated by Reference		Filing Date
				SEC File No.	Exhibit No.	
10.8	Waiver and Amendment Agreement, by and among TripAdvisor, TripAdvisor Holdings, LLC, and TripAdvisor LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Europe Limited, as London agent, dated as of December 27, 2013	X				
10.9+	TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan		S-8	333-178637	4.5	12/20/11
10.10+	First Amendment to TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan		10-Q	001-35362	4.1	7/24/13
10.11+	TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors		S-8	333-178637	4.6	12/20/11
10.12+	Form of Option Agreement (Domestic)	X				
10.13+	Form of Option Agreement (International)	X				
10.14+	Form of Restricted Stock Unit Agreement (Domestic)	X				
10.15+	Form of Restricted Stock Unit Agreement (PRC)	X				
10.16+	Form of Restricted Stock Unit Agreement (Other International)	X				
10.17+	Form of Restricted Stock Unit Agreement (Non-Employee Directors)	X				
10.18+	Form of Restricted Stock Unit Agreement (Performance Based)	X				
10.19	Corporate Headquarters Lease with Normandy Gap-V Needham Building 3, LLC, as landlord, dated as of June 20, 2013		10-Q	001-35362	10.1	7/24/13
10.20	Guaranty dated June 20, 2013 by TripAdvisor, Inc. for the benefit of Normandy Gap-V Needham Building 3, LLC, as landlord		10-Q	001-35362	10.2	7/24/13
10.21	Form of TripAdvisor Media Group Master Advertising Insertion Order	X				
21.1	Subsidiaries of the Registrant	X				
23.1	Consent of Independent Registered Public Accounting Firm	X				
24.1	Power of Attorney (included in signature page)	X				

Exhibit No.	Exhibit Description	Filed Herewith	Form	Incorporated by Reference		Filing Date
				SEC File No.	Exhibit No.	
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chief Executive Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of the Chief Financial Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL: (i) Consolidated and Combined Statements of Operations, (ii) Consolidated and Combined Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated and Combined Statements of Changes in Stockholders' Equity, (v) Consolidated and Combined Statements of Cash Flows, and (vi) Notes to Consolidated and Combined Financial Statements.	X				

+ *Indicates a management contract or a compensatory plan, contract or arrangement.*



Notice of 2014 Annual Meeting
and Proxy Statement



April 30, 2014

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of TripAdvisor, Inc. We will hold the Annual Meeting on Thursday, June 12, 2014, at 12:30 p.m. local time at the offices of Goodwin Procter LLP, 53 State Street, Boston, MA 02109.

At the Annual Meeting, stockholders will be asked (1) to elect the nine directors named in this Proxy Statement, (2) to ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2014, (3) to consider a stockholder proposal regarding majority voting in director elections, and (4) to consider and act upon any other business that may properly come before the meeting and any adjournments thereof. **The Board of Directors recommends a vote FOR proposals (1) and (2) and a vote AGAINST proposal (3).**

You may vote if you were a stockholder of record on April 21, 2014. You may vote via the Internet or by telephone by following the instructions on your Notice of Internet Availability and on the website noted in the Notice of Internet Availability. In order to vote via the Internet or by telephone, you must have your stockholder identification number, which is provided in your Notice. If you have requested a proxy card by mail, you may vote by signing, voting and returning that proxy card in the envelope provided. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card or have voted via the Internet or by telephone.

Your vote is very important to us. Please review the instructions for each voting option described in the Notice and in this Proxy Statement. Your prompt cooperation will be greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Stephen Kaufe". The signature is fluid and cursive, with a long horizontal stroke at the end.

STEPHEN KAUFER
President and Chief Executive Officer

TRIPADVISOR, INC.
141 Needham Street
Newton, Massachusetts 02464

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 12, 2014

The Annual Meeting of Stockholders of TripAdvisor, Inc., a Delaware corporation, will be held on Thursday, June 12, 2014, at 12:30 p.m. local time at the offices of Goodwin Procter LLP, 53 State Street, Boston, MA 02109. At the Annual Meeting, stockholders will be asked to consider the following:

1. Election of the nine directors named in this Proxy Statement, each to serve for a one-year term from the date of his or her election and until such director's successor is elected or until such director's earlier resignation or removal;
2. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2014;
3. A stockholder proposal regarding majority voting in director elections; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Only holders of record of outstanding shares of TripAdvisor capital stock at the close of business on April 21, 2014 are entitled to notice of and to vote at the Annual Meeting and any at adjournments or postponements thereof.

In accordance with the rules of the U.S. Securities and Exchange Commission, we will send a Notice of Internet Availability of Proxy Materials on or about April 30, 2014, and provide access to our proxy materials over the Internet, beginning on April 30, 2014, to the holders of record and beneficial owners of our capital stock as of the close of business on the record date.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms that you are the beneficial owner of those shares.

By order of the Board of Directors,



SETH J. KALVERT
Senior Vice President, General Counsel
and Secretary

April 30, 2014

**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Stockholders to Be Held on June 12, 2014**

**This Proxy Statement and the 2013 Annual Report are available at:
<http://ir.tripadvisor.com/annual-proxy.cfm>**

TRIPADVISOR, INC.

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

	<u>Page</u>
Procedural Matters	
Date, Time and Place of Meeting	1
Record Date and Voting Rights	1
Quorum; Abstentions; Broker Non-Votes	2
Solicitation of Proxies	2
Voting of Proxies	2
Voting in Person at the Annual Meeting	3
Revocation of Proxies	3
Other Business	4
Proposal 1: Election of Directors	
Nominees	5
Required Vote	5
Directors and Executive Officers	6
Board of Directors	9
Committees of the Board of Directors	11
Risk Oversight	12
Director Nominations	13
Communications with the Board	14
Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm	
Overview	15
Required Vote	16
Fees Paid to Our Independent Registered Public Accounting Firm	17
Audit and Non-Audit Services Pre-Approval Policy	17
Proposal 3: Stockholder Proposal Regarding Majority Voting in Director Elections	
Proposal	18
Statement of the Board of Directors in Opposition of the Stockholder Proposal	18
Required Vote	19
Audit Committee Report	
Compensation Discussion and Analysis	
Overview	21
Compensation Program Objectives	21
Roles and Responsibilities	21
Compensation Program Elements	23
Compensation Program Policies	26
The Role of Competitive Compensation Market Data	27
Tax Matters	28
Post-Employment Compensation	28
Compensation Committee Interlocks and Insider Participation	29
Compensation Committees Report	29

	<u>Page</u>
Executive Compensation	
2013 Summary Compensation Table	30
2013 Grants of Plan-Based Awards Table	32
2013 Outstanding Equity Awards at Fiscal Year-End Table	32
2013 Option Exercises and Stock Vested Table	33
Non-Qualified Deferred Compensation	34
Potential Payments Upon Termination or Change in Control	34
Estimated Potential Incremental Payments	36
Equity Compensation Plan Information	38
Director Compensation	
Overview	39
2013 Non-Employee Director Deferred Compensation Plan	39
2013 Non-Employee Director Compensation Table	40
Security Ownership of Certain Beneficial Owners and Management	
Beneficial Ownership Table	41
Section 16(a) Beneficial Ownership Reporting Compliance	42
Certain Relationships and Related Person Transactions	
Review and Approval or Ratification of Related Person Transactions	43
Related Person Transactions	43

PROCEDURAL MATTERS

This Proxy Statement is being furnished to holders of common stock and Class B common stock of TripAdvisor, Inc., a Delaware corporation, in connection with the solicitation of proxies by TripAdvisor's Board of Directors for use at its 2014 Annual Meeting of Stockholders or any adjournment or postponement thereof (the "Annual Meeting"). All references to "TripAdvisor," the "Company," "we," "our" or "us" in this report are to TripAdvisor, Inc. An Annual Report to Stockholders, containing financial statements for the year ended December 31, 2013, and this Proxy Statement are being made available to all stockholders entitled to vote at the Annual Meeting.

TripAdvisor's principal offices are located at 141 Needham Street, Newton, Massachusetts 02464. This Proxy Statement is being made available to TripAdvisor stockholders on or about April 30, 2014.

Date, Time and Place of Meeting

The Annual Meeting will be held on Thursday, June 12, 2014, at 12:30 p.m. local time at the offices of Goodwin Procter LLP, 53 State Street, Boston, MA 02109.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, otherwise known as holding in "street name," you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares. Cameras and recording devices will not be permitted at the Annual Meeting.

Record Date and Voting Rights

The Board of Directors established the close of business on April 21, 2014 as the record date for determining the holders of TripAdvisor common stock entitled to notice of and to vote at the Annual Meeting. On the record date, 129,852,778 shares of common stock and 12,799,999 shares of Class B common stock were outstanding and entitled to vote at the Annual Meeting. TripAdvisor stockholders are entitled to one vote for each share of common stock and ten votes for each share of Class B common stock held as of the record date, voting together as a single voting group, in (i) the election of six of the nine director nominees, (ii) the ratification of the appointment of TripAdvisor's independent registered public accounting firm, and (iii) the stockholder proposal regarding majority voting in director elections. TripAdvisor stockholders are entitled to one vote for each share of common stock held as of the record date in the election of the three director nominees that the holders of TripAdvisor common stock are entitled to elect as a separate class pursuant to TripAdvisor's restated certificate of incorporation.

As of the record date, Liberty Interactive Corporation ("Liberty") beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.7% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.7% of our voting power. As a result, regardless of the vote of any other TripAdvisor stockholder, Liberty has control over the vote relating to (i) the election of six of the nine director nominees, (ii) the ratification of the appointment of TripAdvisor's independent registered public accounting firm, and (iii) the stockholder proposal regarding majority voting in director elections.

Quorum; Abstentions; Broker Non-Votes

Transaction of business at the Annual Meeting may occur if a quorum is present. If a quorum is not present, it is expected that the Annual Meeting will be adjourned or postponed in order to permit additional time for soliciting and obtaining additional proxies or votes, and, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have been effectively revoked or withdrawn.

With respect to (i) the election of six of the nine director nominees, (ii) the ratification of the appointment of TripAdvisor's independent registered public accounting firm, and (iii) a stockholder proposal regarding majority voting in director elections, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total votes entitled to be cast constitutes a quorum. For the election of the three directors whom the holders of TripAdvisor common stock are entitled to elect as a separate class, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of shares of common stock constitutes a quorum.

If a share is represented for any purpose at the meeting, it is deemed to be present for quorum purposes and for all other matters as well. Shares of TripAdvisor capital stock represented by a properly executed proxy will be treated as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote the shares on a proposal because the nominee does not have discretionary voting power for a particular item and has not received instructions from the beneficial owner regarding voting. Brokers who hold shares for the accounts of their clients have discretionary authority to vote shares if specific instructions are not given with respect to the ratification of the appointment of our independent registered public accounting firm. Brokers do not have discretionary authority to vote on (a) the election of our directors or (b) the stockholder proposal regarding majority voting in director elections, so we encourage you to provide instructions to your broker regarding the voting of your shares.

Solicitation of Proxies

TripAdvisor will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, the directors, officers and employees of TripAdvisor, without additional compensation, may solicit proxies from stockholders by telephone, by letter, by facsimile, in person or otherwise. Following the original mailing of the proxies and other soliciting materials, TripAdvisor will ask brokers, trusts, banks or other nominees to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of TripAdvisor capital stock and to request authority for the exercise of proxies. In such cases, TripAdvisor, upon the request of the brokers, trusts, banks and other stockholder nominees, will reimburse such holders for their reasonable expenses.

Voting of Proxies

The manner in which your shares may be voted depends on whether you are a:

- *Registered stockholder:* Your shares are represented by certificates or book entries in your name on the records of the TripAdvisor's stock transfer agent and you have the right to vote those shares directly; or
- *Beneficial stockholder:* You hold your shares "in street name" through a broker, trust, bank or other nominee and you have the right to direct your broker, trust, bank or other nominee on how to vote the shares in your account; however, you must request and receive a valid proxy from your broker, trust, bank or other nominee.

Whether you hold shares directly as a registered stockholder or beneficially as a beneficial stockholder, you may direct how your shares are voted without attending the Annual Meeting. For directions on how to vote, please refer to the instructions below and those on the Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form provided. To vote using the Internet or by telephone, you will be required to enter the control number included on your Notice of Internet Availability of Proxy Materials or other voting instruction form provided by your broker, trust, bank or other nominee.

- *Using the Internet.* Registered stockholders may vote using the Internet by going to www.proxyvote.com and following the instructions. Beneficial stockholders may vote by accessing the website specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.
- *By Telephone.* Registered stockholders may vote, from within the United States, using any touch-tone telephone by calling 1-800-690-6903 and following the recorded instructions. Beneficial owners may vote, from within the United States, using any touch-tone telephone by calling the number specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.
- *By Mail.* Registered stockholders may submit proxies by mail by requesting printed proxy cards and marking, signing and dating the printed proxy cards and mailing them in the accompanying pre-addressed envelopes. Beneficial owners may vote by marking, signing and dating the voting instruction forms provided by their brokers, trusts, banks or other nominees and mailing them in the accompanying pre-addressed envelopes.

All proxies properly submitted and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated thereon. If no instructions are provided, such proxies will be voted FOR proposals (1) and (2) and AGAINST proposal (3) described in this Proxy Statement.

TripAdvisor is incorporated under Delaware law, which specifically permits electronically transmitted proxies, provided that each such proxy contains, or is submitted with, information from which the inspector of elections can determine that such proxy was authorized by the stockholder. The electronic voting procedures provided for the Annual Meeting are designed to authenticate each stockholder by use of a control number, to allow stockholders to vote their shares and to confirm that their instructions have been properly recorded.

Voting in Person at the Annual Meeting

You may also vote in person at the Annual Meeting. Votes in person will replace any previous votes you have made by mail, telephone or the Internet. We will provide a ballot to registered stockholders who request one at the meeting. Shares held in your name as the stockholder of record may be voted on that ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trust, bank or other nominee that holds your shares giving you the right to vote the shares. Attendance at the Annual Meeting without voting or revoking a previous proxy in accordance with the voting procedures will not in and of itself revoke a proxy.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please take the time to vote via the Internet, by telephone or by returning your marked, signed and dated proxy card so that your shares will be represented at the Annual Meeting.

Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it any time before the taking of the vote at the Annual Meeting.

If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker, trust, bank or other nominee.

If you are a registered stockholder, you may revoke your proxy at any time before it is exercised at the Annual Meeting by (i) delivering written notice, bearing a date later than the proxy, stating that the proxy is revoked, (ii) submitting a later-dated proxy relating to the same stock by mail, telephone or the Internet prior to the vote at the Annual Meeting or (iii) attending the Annual Meeting and properly giving notice of revocation to the inspector of elections or voting in person. Registered holders may send any written notice or request for a new proxy card to TripAdvisor, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717, or follow the instructions provided on the Notice of Internet Availability of Proxy Materials and proxy card to submit a new proxy by telephone or via the Internet. Registered holders may also request a new proxy card by calling 1-800-579-1639.

Other Business

The Board of Directors does not presently intend to bring any business before the Annual Meeting other than the proposals discussed in this Proxy Statement and specified in the Notice of Annual Meeting of Stockholders. The Board of Directors has no knowledge of any other matters to be presented at the Annual Meeting other than those described in this Proxy Statement. If any other matters should properly come before the Annual Meeting, the persons designated in the proxy will vote on them according to their best judgment.

**PROPOSAL 1:
ELECTION OF DIRECTORS**

Nominees

Our Board of Directors currently consists of nine members. Pursuant to the terms of TripAdvisor's bylaws, each director serves for a one-year term from the date of his or her election and until such director's successor is elected or until such director's earlier resignation or removal. The Board of Directors has nominated the following directors and recommends that each be elected to serve a one-year term and until such director's successor shall have been duly elected and qualified or until such director's earlier resignation or removal:

Gregory B. Maffei
Stephen Kaufer
Jonathan F. Miller
Dipchand (Deep) Nishar
Jeremy Philips
Spencer M. Rascoff
Christopher W. Shean
Sukhinder Singh Cassidy
Robert S. Wiesenthal

TripAdvisor's restated certificate of incorporation provides that the holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% of the total number of directors, rounded up to the next whole number, which is currently three directors. The Board has designated Messrs. Milller, Philips and Wiesenthal as nominees for the positions on the Board to be elected by the holders of TripAdvisor common stock voting as a separate class.

Pursuant to a Governance Agreement among TripAdvisor and Liberty, dated December 20, 2011 (the "Governance Agreement"), Liberty has the right to nominate up to a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board of Directors is not an even multiple of five) for election to the Board of Directors and has certain other rights regarding committee participation, so long as certain stock ownership requirements applicable to Liberty are satisfied. Liberty has designated Messrs. Maffei and Shean as its nominees to the Board of Directors.

Although management does not anticipate that any of the nominees named above will be unable or unwilling to stand for election, in the event of such an occurrence, proxies may be voted for a substitute nominee designated by the Board of Directors.

Required Vote

Election of Messrs. Maffei, Kaufer, Miller, Nishar, Rascoff and Shean as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock and Class B common stock, present in person or represented by proxy, voting together as a single class.

Election of Messrs. Miller, Philips and Wiesenthal as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock, present in person or represented by proxy, voting together as a separate class.

Valid proxies received pursuant to this solicitation will be voted in the manner specified. Where no specification is made, it is intended that the proxies received from stockholders will be voted FOR the election of the director nominees identified. For the election of the directors, abstentions and broker non-votes will have no effect because approval by a certain percentage of voting stock present or outstanding is not required.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

Directors and Executive Officers

Set forth below is certain background information, as of April 24, 2014, regarding the members of our Board of Directors, each of whom is also a nominee, as well as TripAdvisor’s executive officers. There are no family relationships among directors or executive officers of TripAdvisor. In addition to the information presented below regarding each nominee’s specific experience, qualifications, attributes and skills that led the Board of Directors to the conclusion that he or she should be renominated as a director, each nominee has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to TripAdvisor and our Board of Directors as demonstrated by the nominee’s past service. All of our nominees also have extensive management experience in complex organizations. The Board of Directors considered the NASDAQ requirement that TripAdvisor’s Audit Committee be composed of at least three independent directors, as well as specific NASDAQ and U.S. Securities and Exchange Commission (“SEC”) requirements regarding financial literacy and expertise.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gregory B. Maffei	53	Chairman
Stephen Kaufer	51	Director, President and Chief Executive Officer
Julie M.B. Bradley	45	Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer
Seth J. Kalvert	44	Senior Vice President, General Counsel and Secretary
Jonathan F. Miller	57	Director
Dipchand (Deep) Nishar	45	Director
Jeremy Philips	41	Director
Spencer M. Rascoff	38	Director
Christopher W. Shean	48	Director
Sukhinder Singh Cassidy	44	Director
Robert S. Wiesenthal	47	Director

Gregory B. Maffei has been the Chairman of the Board of Directors of TripAdvisor since February 2013. Mr. Maffei has served as President and Chief Executive Officer of Liberty since February 2006 and served as its CEO-elect from November 2005 through February 2006. Mr. Maffei has also served as President and Chief Executive Officer of Liberty Media Corporation (including its predecessor) since May 2007. Previously, he has served as President and Chief Financial Officer of Oracle Corporation during 2005, President and Chief Executive Officer of 360networks Corporation from 2000 until 2005, Chairman of the Board of Directors of 360networks Corporation from 2002 until 2011 and Chief Financial Officer of Microsoft Corporation from 1997 until 2000. Mr. Maffei currently serves Chairman of the Board of Starz, Sirius XM Holdings Inc. and Live Nation Entertainment, Inc. and as a Director of Charter Communications, Inc., Liberty, Liberty Media Corporation (“LMC”) and Zillow, Inc. He previously served as a Director of Barnes & Noble, Inc. from September 2011 to April 2014, DIRECTV and its predecessor from February 2008 to June 2010 and Electronic Arts, Inc. from June 2003 to July 2013. Mr. Maffei holds an M.B.A. from Harvard Business School, where he was a Baker Scholar, and an A.B. from Dartmouth College.

Board Membership Qualifications: Mr. Maffei brings to our Board significant financial and operational experience based on his senior policy making positions at Liberty, Liberty Media Corporation, Oracle Corporation, 360networks Corporation and Microsoft Corporation and his other public company board experience. He provides our board with an executive and leadership perspective on the operation and management of large public companies and risk management principles.

Stephen Kaufer co-founded TripAdvisor in February 2000 and has been the President and Chief Executive Officer of TripAdvisor since that date. Mr. Kaufer has been a director of TripAdvisor since the completion of the spin-off from Expedia, Inc. (the “Spin-Off”). Prior to co-founding TripAdvisor, Mr. Kaufer served as President of CDS, Inc., an independent software vendor specializing in programming and testing tools, and co-founded

CenterLine Software and served as its Vice President of Engineering. Mr. Kaufer serves on the boards of several privately-held companies, including CarGurus, LLC, LiveData, Inc., and GlassDoor, Inc., as well as the charity, Caring for Carcinoid Foundation. Mr. Kaufer holds an A.B. in Computer Science from Harvard University.

Board Membership Qualifications: As co-founder of TripAdvisor and through his service as its Chief Executive Officer, Mr. Kaufer has extensive knowledge of TripAdvisor's business and operations, and significant experience in the online advertising sector of the global travel industry. Mr. Kaufer also possesses strategic and governance skills gained through his executive and director roles with several privately-held companies.

Jonathan F. Miller has been a director of TripAdvisor since the completion of the Spin-Off from Expedia, Inc. ("Expedia"). He had previously served as Chairman and Chief Executive of News Corporation's digital media group and News Corporation's Chief Digital Officer from April 2009 until October 2012. Mr. Miller was a founding partner of Velocity Interactive Group ("Velocity"), an investment firm focusing on digital media and the consumer Internet, from its inception in February 2007 until April 2009. Prior to founding Velocity, Mr. Miller served as Chief Executive Officer of AOL LLC ("AOL") from August 2002 to December 2006. Prior to joining AOL, Mr. Miller served as Chief Executive Officer and President of USA Information and Services, of USA Interactive, a predecessor to IAC/InterActiveCorp ("IAC"). Mr. Miller previously served as a director of Live Nation Entertainment, Inc. and Ticketmaster Entertainment, Inc. prior to its merger with LiveNation. Mr. Miller is currently a member of the Board of Directors of Shutterstock, Inc. and a privately-held search media and advertising company. Mr. Miller also serves on the Board of Trustees of the American Film Institute and The Paley Center for Media. Mr. Miller holds a B.A. from Harvard College.

Board Membership Qualifications: Through his various senior leadership positions at other private and public companies and business divisions thereof, Mr. Miller possesses extensive executive, strategic, operational, and corporate governance experience. Mr. Miller also has expertise in the digital media and online advertising sectors. Further, Mr. Miller has experience as a director serving on other public company boards.

Dipchand (Deep) Nishar has been a director of TripAdvisor since September 2013. Mr. Nishar has served as Senior Vice President, Products and User Experience for LinkedIn Corporation since January 2011, and served as its Vice President, Products from January 2009 until January 2011. Prior to LinkedIn, Mr. Nishar served in several roles, including most recently as the Senior Director of Products for the Asia-Pacific region at Google Inc., an Internet search company, from August 2003 to January 2009. He was also the Founder and Vice President of Products at Patkai Networks, a service oriented architecture software company. Mr. Nishar holds an M.B.A. with highest honors (Baker Scholar) from Harvard Business School, an M.SEE from University of Illinois, Urbana-Champaign, and a B.Tech with honors from the Indian Institute of Technology.

Board Membership Qualifications: Through his roles with LinkedIn and Patkai Networks, Mr. Nishar has significant operational experience in those areas which are directly applicable to TripAdvisor's business and areas of focus. Mr. Nishar has an extensive background in the Internet industry and, in particular, the digital media and online advertising sectors.

Jeremy Philips has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. He is the managing member of Occam Partners and a director of several private internet companies. Mr. Philips served as the Chief Executive Officer of Photon Group Limited, a holding company listed on the Australian Securities Exchange, from June 2010 to January 2012. Mr. Philips had previously served as an Executive Vice President in the Office of the Chairman of News Corporation from January 2006 to March 2010, and as Senior Vice President of News Corporation from July 2004 to January 2006. Prior to joining News Corporation, he served in several roles, including as co-founder and Vice-Chairman of a publicly traded Internet holding company, and as an analyst at McKinsey & Company. Mr. Philips also served as a director of REA Group Ltd. from March 2009 to June 2010. He holds a BA and LLB from the University of New South Wales and an MPA from the Harvard Kennedy School of Government.

Board Membership Qualifications: Mr. Philips has significant strategic and operational experience, acquired through his service as Chief Executive Officer and other executive-level positions at other companies. He also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Spencer M. Rascoff has been a director of TripAdvisor since September 2013. Mr. Rascoff has served as the Chief Executive Officer of Zillow, Inc. since September 2010 and has served as a member of its board of directors since July 2011. Mr. Rascoff joined Zillow as one of its founding employees in 2005 as Vice President of Marketing and Chief Financial Officer and served as Chief Operating Officer from December 2008 until he was promoted to Chief Executive Officer. From 2003 to 2005, Mr. Rascoff served as Vice President of Lodging for Expedia. In 1999, Mr. Rascoff co-founded Hotwire, Inc., an online travel company, and managed several of Hotwire's product lines before Hotwire was acquired in 2003 by IAC/InterActiveCorp, Expedia's parent company at the time. Mr. Rascoff served in the mergers and acquisitions group at Goldman, Sachs & Co., an investment banking and securities firm, and also held other positions at TPG Capital, Bear Stearns and Allen & Company, each an investment firm, prior to that time. Mr. Rascoff serves on the board of directors of Zulily, a privately held consumer products company, and Julep Beauty Incorporated, a privately held beauty products company. Mr. Rascoff graduated cum laude with a B.A. in Government from Harvard University, and he serves on Harvard University's Digital Community & Social Networking Advisory Group.

Board Membership Qualifications: Mr. Rascoff has significant operational and financial experience, acquired through his current service as Chief Executive Officer and prior service as Chief Financial Officer of Zillow. Mr. Rascoff also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions as well as an extensive background in the Internet industry and global travel industry.

Christopher W. Shean has been a director of TripAdvisor since February 2013. Mr. Shean has been a Senior Vice President of Liberty since January 2002 and of LMC since May 2007 and the Chief Financial Officer of Liberty since November 2011 and of LMC from May 2007 until October 2011. He was the Controller of Liberty from October 2000 until October 2011 and a Vice President of Liberty from October 2000 to January 2002. Mr. Shean was previously a partner with KPMG LLP. He is a graduate of Virginia Polytechnic Institute and State University.

Board Membership Qualifications: Mr. Shean has significant financial and operational experience gained through his service as Chief Financial Officer and other executive-level positions at Liberty and as a partner of KPMG LLC. As a result of his extensive business and financial experience, Mr. Shean is able to provide valuable business, financial and risk management advice. He also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Sukhinder Singh Cassidy has been a director of TripAdvisor since the completion of the Spin-Off. In January 2011, Ms. Singh Cassidy founded, and currently serves as Chairman of Joyus, a video commerce website. Ms. Singh Cassidy previously served as Chief Executive Officer and Chairman of the Board of Polyvore, Inc., a privately-held social commerce website, from March 2010 to September 2010. Prior to that, she was CEO-in-residence at Accel Partners, a global venture and growth equity firm, from April 2009 to March 2010. From 2003 to April 2009, Ms. Singh Cassidy held various positions at Google Inc., including, mostly recently, Global Vice President of Sales and Operations. Previously, Ms. Singh Cassidy worked with Yodlee.com, Amazon.com and News Corporation, and in investment banking with Merrill Lynch & Co., Inc. Ms. Singh Cassidy serves on the board of privately-held direct sales company J. Hilburn, Inc. and has served on the board of directors of publicly-traded J. Crew Group, Inc. from August 2009 to March 2010. She also currently serves on the Princeton Computer Science Advisory Council.

Board Membership Qualifications: Through her experience as a consumer Internet and media executive, Ms. Singh Cassidy has in-depth knowledge of the online media and advertising sectors. Ms. Singh Cassidy also possesses extensive executive, strategic and operational experience.

Robert S. Wiesenthal has been a director of TripAdvisor since the completion of the Spin-Off. Since January 2013, Mr. Wiesenthal has been serving as Chief Operating Officer of Warner Music Group Corp., a leading global music conglomerate. From 2000 to 2012, Mr. Wiesenthal served in various senior executive capacities within the Sony Corporation. From January 2002 through June 2012, Mr. Wiesenthal served as Executive Vice President and Chief Financial Officer of Sony Corporation of America and, since July 2005, as Executive Vice President and Chief Strategy Officer, Sony Entertainment. Prior to joining Sony, Mr. Wiesenthal was Managing Director at Credit Suisse First Boston and head of the firm's Entertainment and Digital Media practices from 1999 to 2000, a member of its Media Group from 1993 to 1999 and a member of its Mergers and Acquisitions Group from 1988 to 1993. Mr. Wiesenthal presently serves on the boards of directors of Entercom Communications Corp. and Starz. Mr. Wiesenthal has a B.A. from the University of Rochester.

Board Membership Qualifications: Mr. Wiesenthal possesses extensive strategic, operational and financial experience, gained through his wide range of service in executive-level positions with a strong focus on networked consumer electronics, entertainment, and digital media. He also has a high degree of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Julie M.B. Bradley has served as Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of TripAdvisor since October 2011. Prior to joining TripAdvisor, from July 2005 to April 2011, Ms. Bradley served as Senior Vice President, Chief Financial Officer, Treasurer and Secretary of Art Technology Group, Inc., a provider of e-commerce software solutions and services, which was acquired by Oracle Corporation in January 2011. Prior to joining Art Technology Group, Ms. Bradley was at Akamai Technologies, Inc. from April 2000 to June 2005, most recently serving as Vice President of Finance. Previously, Ms. Bradley was an accountant with Deloitte LLP. Ms. Bradley is currently a member of the Board of Directors of Wayfair.com and a member of the Board of Trustees of The Judge Baker's Childrens Center. Ms. Bradley previously served on the Board of Directors of Exact Target. Ms. Bradley received her B.A. in Economics from Wheaton College and is a certified public accountant.

Seth J. Kalvert has served as Senior Vice President, General Counsel and Secretary of TripAdvisor since August 2011. Prior to joining TripAdvisor, Mr. Kalvert held positions at Expedia, Inc., which he joined in March 2005, most recently as Vice President and Associate General Counsel beginning in February 2006. Prior to that, from July 2001 to March 2005, Mr. Kalvert held a variety of internal legal positions at IAC/InterActiveCorp and its subsidiaries. Previously, Mr. Kalvert held a business development position at Bolt Media Inc., a privately-held online social networking and e-commerce company, and was an associate at Debevoise & Plimpton, LLP, a New York law firm. Mr. Kalvert holds an A.B. degree from Brown University and a J.D. degree from Columbia Law School.

Board of Directors

Director Independence

Under the NASDAQ Stock Market Listing Rules (the "NASDAQ Rules"), the Board has a responsibility to make an affirmative determination that those members of the Board who serve as independent directors do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In connection with the independence determinations described below, the Board reviewed information regarding transactions, relationships and arrangements relevant to independence, including those required by the NASDAQ Rules. This information is obtained from director responses to questionnaires circulated by management, as well as our records and publicly available information. Following this determination, management monitors those transactions, relationships and arrangements that were relevant to such determination, as well as solicits updated information potentially relevant to independence from internal personnel and directors, to determine whether there have been any developments that could potentially have an adverse impact on the Board's prior independence determination.

The Board of Directors has determined that each of Ms. Singh Cassidy and Messrs. Miller, Nishar, Philips, Rascoff and Wiesenthal is an “independent director” as defined by the NASDAQ Rules. In making its independence determinations, the Board of Directors considered the applicable legal standards and any relevant transactions, relationships or arrangements. In addition to the satisfaction of the director independence requirements set forth in the NASDAQ Rules, members of the Audit Committee and Compensation Committee have also satisfied separate independence requirements under the current standards imposed by the SEC and the NASDAQ Rules for audit committee members and by the SEC, NASDAQ Rules and the Internal Revenue Service for compensation committee members.

Controlled Company Status

As of the record date, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock, respectively. Assuming the conversion of all of Liberty’s shares of Class B common stock into common stock, Liberty would beneficially own 21.7% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.7% of our voting power. Liberty has filed a Statement of Beneficial Ownership on Schedule 13D/A with respect to its TripAdvisor holdings and related voting arrangements with the SEC.

The NASDAQ Rules exempt “controlled companies,” or companies of which more than 50% of the voting power is held by an individual, a group or another company, such as TripAdvisor, from certain governance requirements under the NASDAQ Rules, including, among other items, the requirement that our Board of Directors be comprised of a majority of independent directors. On this basis, TripAdvisor is relying on the exemption for controlled companies from certain requirements under the NASDAQ Rules, including, among others, the requirement that the Compensation Committee be composed solely of independent directors and certain requirements relating to the nomination of directors. We may, in the future, rely on other exemptions available to a controlled company, including, among others, the requirement that a majority of the Board of Directors be composed of independent directors.

Board Leadership Structure

Mr. Maffei serves as the Chairman of the Board of Directors, and Mr. Kaufer serves as President and Chief Executive Officer of TripAdvisor. The roles of Chief Executive Officer and Chairman of the Board of Directors are currently separated in recognition of the differences between the two roles. This leadership structure provides us with the benefit of Mr. Maffei’s oversight of TripAdvisor’s strategic goals and vision, coupled with the benefit of a full-time Chief Executive Officer dedicated to focusing on the day-to-day management and continued growth of TripAdvisor and its operating businesses. We believe that it is in the best interests of our stockholders for the Board of Directors to make a determination regarding the separation or combination of these roles each time it elects a new Chairman or Chief Executive Officer based on the relevant facts and circumstances applicable at such time.

Independent members of the Board of Directors chair our Audit Committee, Compensation Committee and Section 16 Committee.

Meeting Attendance

The Board of Directors met seven times in 2013. During such period, each member of the Board of Directors attended at least 75% of the meetings of the Board and the Board committees on which they served.

The independent directors meet in regularly scheduled sessions, typically before or after each Board meeting, without the presence of management. We do not have a lead independent director or any other formally appointed leader for these sessions. Directors are encouraged, but not required to attend annual meetings of TripAdvisor stockholders. All of the incumbent directors at the time have historically attended in person the annual meetings of stockholders.

Committees of the Board of Directors

The Board of Directors has the following standing committees: the Audit Committee, the Compensation Committee, the Section 16 Committee and the Executive Committee. The Audit, Compensation and Section 16 Committees operate under written charters adopted by the Board of Directors. These charters are available in the “Corporate Governance” section of the Investor Relations page of TripAdvisor’s corporate website at ir.tripadvisor.com. At each regularly scheduled Board meeting, the Chairperson of each committee provides the full Board of Directors with an update of all significant matters discussed, reviewed, considered and/or approved by the relevant committee since the last regularly scheduled Board meeting. The independent membership of our Audit, Compensation and Section 16 Committees ensures that directors with no ties to Company management are charged with oversight for all financial reporting and executive compensation related decisions made by Company management.

The following table sets forth the current members of each committee of the Board of Directors.

<u>Name</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Section 16 Committee</u>	<u>Executive Committee</u>
Gregory B. Maffei	—	X	—	X
Stephen Kaufer	—	—	—	X
Jonathan F. Miller*	X	—	—	—
Dipchand (Deep) Nishar*	—	—	—	—
Jeremy Philips*	—	X	X	—
Spencer M. Rascoff*	X	—	—	—
Christopher W. Shean	—	—	—	X
Sukhinder Singh Cassidy*	—	Chair	Chair	—
Robert S. Wiesenthal*	Chair	—	—	—

* Independent director

Audit Committee. The Audit Committee of the Board of Directors currently consists of three directors: Messrs. Miller, Rascoff and Wiesenthal. Mr. Wiesenthal is the Chairman of the Audit Committee. Each Audit Committee member satisfies the independence requirements under the current standards imposed by the rules of the SEC and NASDAQ. The Board has determined that each of Messrs. Wiesenthal and Rascoff is an “audit committee financial expert,” as such term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

The Audit Committee is appointed by the Board of Directors to assist the Board with a variety of matters discussed in detail in the Audit Committee charter, including monitoring (i) the integrity of our financial reporting process, (ii) the independent registered public accounting firm’s qualifications and independence, (iii) the performance of the independent registered public accounting firm and our internal audit department, and (iv) our compliance with legal and regulatory requirements. The Audit Committee met seven times in 2013. The formal report of the Audit Committee with respect to the year ended December 31, 2013 is set forth in the section below titled “Audit Committee Report.”

Compensation Committee. The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Philips and Maffei. Ms. Singh Cassidy is the Chairperson of the Compensation Committee. Each

member of the Compensation Committee is an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). With the exception of Mr. Maffei, each member is an “independent director” as defined by the NASDAQ Rules. No member of the Compensation Committee is an employee of TripAdvisor.

The Compensation Committee is responsible for (i) designing and overseeing our compensation with respect to our executive officers, including salary matters, bonus plans and stock compensation plans and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (which are handled by the Section 16 Committee described below). A description of our policies and practices for the consideration and determination of executive compensation is included in the section below titled “Compensation Discussion and Analysis.” The Compensation Committee met three times in 2013.

Section 16 Committee. The Section 16 Committee consists of Ms. Singh Cassidy and Mr. Philips. Ms. Singh Cassidy is the Chairperson of the Section 16 Committee. Each member is an “independent director” as defined by the NASDAQ Rules and satisfies the definition of “non-employee director” for purposes of Section 16 of the Exchange Act.

The Section 16 Committee is authorized to exercise all powers of the Board of Directors with respect to matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to TripAdvisor’s executive officers. The Section 16 Committee met three times in 2013.

Executive Committee. The Executive Committee consists of Messrs. Kaufer, Maffei and Shean. The Executive Committee has the powers and authority of the Board of Directors, except those matters that are specifically reserved to the Board of Directors under Delaware law or our organizational documents. The Executive Committee primarily serves as a means to address issues that may arise and require Board approval between regularly scheduled Board meetings. Following are some examples of matters that could be handled by the Executive Committee: (i) oversight and implementation of matters approved by the Board of Directors, (ii) administrative matters with respect to benefit plans, transfer agent matters, banking authority, formation of subsidiaries and other administrative items involving subsidiaries and determinations or findings under TripAdvisor’s financing arrangements and (iii) in the case of a natural disaster or other emergency as a result of which a quorum of the Board of Directors cannot readily be convened for action, directing the management of the business and affairs of TripAdvisor during such emergency or natural disaster. The Executive Committee did not meet in 2013.

Risk Oversight

Assessing and managing risk is the responsibility of TripAdvisor’s management. Our Board of Directors oversees and reviews certain aspects of our risk management efforts. Our Board of Directors is involved in risk oversight through direct decision-making authority with respect to significant matters and the oversight of management by the Board of Directors and its committees. The President and Chief Executive Officer, the Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer and the Senior Vice President, General Counsel and Secretary attend Board meetings and discuss operational risks with the Board. Management also provides reports and presentations on strategic risks to the Board. Among other areas, the Board is involved, directly or through its committees, in overseeing risks related to our overall corporate strategy, business continuity, crisis preparedness and competitive and reputational risks.

The committees of the Board execute their oversight responsibility for risk management as follows:

- The Audit Committee has primary responsibility for discussing with management TripAdvisor’s major financial risks and the steps management has taken to monitor and control such risks. In fulfilling its responsibilities, the Audit Committee receives regular reports from, among others, the Chief Financial

Officer, General Counsel, the Vice President of Tax and the Corporate Controller as well as from representatives of internal audit and our auditors. The Audit Committee makes regular reports to the Board of Directors. In addition, TripAdvisor has, under the supervision of the Audit Committee, established procedures available to all employees for the anonymous and confidential submission of complaints relating to any matter to encourage employees to report questionable activities directly to our senior management and the Audit Committee.

- The Compensation Committee considers and evaluates risks related to our cash and equity-based compensation programs, policies and practices and evaluates whether our compensation programs encourage participants to take excessive risks that are reasonably likely to have a material adverse effect on TripAdvisor or our business. Consistent with SEC disclosure requirements, management has assessed the compensation policies and practices for our employees, including our executive officers, and has concluded that such policies and practices do not create risks that are reasonably likely to have a material adverse effect on TripAdvisor.

Ultimately, though, management is responsible for the day-to-day risk management process, including identification of key risks and implementation of policies and procedures to manage, mitigate and monitor risks. In fulfilling these duties, management recently conducted an enterprise and internal audit risk assessment and will use the results of that assessment in its risk management efforts. In addition, management has formed a Compliance Committee in connection with the implementation, management and oversight of a corporate compliance program to promote operational excellence throughout the entire organization in adherence with all legal and regulatory requirements and with the highest ethical standards

Director Nominations

Given the ownership structure of TripAdvisor and our status as a “controlled company,” the Board of Directors does not have a nominating committee or other committee performing similar functions or any formal policy on director nominations. The Board of Directors does not have specific requirements for eligibility to serve as a director of TripAdvisor, nor does it have a specific policy on diversity; however, the Board of Directors does consider, among other things, diversity when considering nominees to serve on our Board of Directors. We broadly construe diversity to mean diversity of opinions, perspectives, and personal and professional experiences and backgrounds, such as gender, race and ethnicity, as well as other differentiating characteristics. In evaluating candidates, regardless of how recommended, the Board of Directors considers whether the professional and personal ethics and values of the candidate are consistent with those of TripAdvisor, whether the candidate’s experience and expertise would be beneficial to the Board in rendering service to TripAdvisor, including in providing a mix of Board members that represent a diversity of backgrounds, perspectives and opinions, whether the candidate is willing and able to devote the necessary time and energy to the work of the Board of Directors, and whether the candidate is prepared and qualified to represent the best interests of TripAdvisor’s stockholders.

Pursuant to the Governance Agreement, Liberty has the right to nominate a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the Board of Directors so long as certain stock ownership requirements are satisfied. Liberty has nominated Messrs. Maffei and Shean as nominees for 2014. The other nominees to the Board of Directors were recommended by the Chairman and then were considered and recommended by the entire Board of Directors.

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders; however, the Board of Directors would consider such recommendations if made in the future. Stockholders who wish to make such a recommendation should send the recommendation to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary. The envelope must

contain a clear notation that the enclosed letter is a “Director Nominee Recommendation.” The letter must identify the author as a stockholder, provide a brief summary of the candidate’s qualifications and history and be accompanied by evidence of the sender’s stock ownership, as well as consent by the candidate to serve as a director if elected. Any director candidate recommendations will be reviewed by the Secretary and, if deemed appropriate, forwarded to the Chairman for further review. If the Chairman believes that the candidate fits the profile of a director nominee as described above, the recommendation will be shared with the entire Board of Directors.

Communications with the Board

Stockholders who wish to communicate with the Board of Directors or a particular director may send such communication to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a “Stockholder-Board Communication” or “Stockholder-Director Communication.” All such letters must identify the author as a stockholder, provide evidence of the sender’s stock ownership and clearly state whether the intended recipients are all members of the Board of Directors or certain specified directors. The Secretary will then review such correspondence and forward it to the Board of Directors, or to the specified director(s), if deemed appropriate. Communications that are primarily commercial in nature, that are not relevant to stockholders or other interested constituents or that relate to improper or irrelevant topics will generally not be forwarded to the Board of Directors or to the specified director(s).

**PROPOSAL 2:
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Overview

In February 2014, the Audit Committee of the Board of Directors determined it to be in the best interest of TripAdvisor to select KPMG LLP (“KPMG”) to replace Ernst & Young LLP (“E&Y”) as TripAdvisor’s independent registered public accounting firm for the year ending December 31, 2014.

On February 6, 2014, the Audit Committee of the Board of Directors determined to dismiss E&Y as TripAdvisor’s independent registered public accounting firm effective immediately upon TripAdvisor’s filing of its Annual Report on Form 10-K for the year ended December 31, 2013 (the “Annual Report”). The Annual Report was filed with the SEC on February 11, 2014. The reports of E&Y on TripAdvisor’s consolidated financial statements as of and for the years ended December 31, 2013 and 2012 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended December 31, 2013 and 2012, and through February 11, 2014, there were no: (a) disagreements with E&Y on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to E&Y’s satisfaction, would have caused E&Y to make reference to the subject matter thereof in connection with its reports for such years; or (b) reportable events, as described under Item 304(a)(1)(v) of Regulation S-K. TripAdvisor provided E&Y with a copy of the disclosures it expected to make in the Current Report on Form 8-K and requested from E&Y a letter addressed to the SEC indicating whether or not it agrees with the above disclosures. A copy of E&Y’s letter dated February 11, 2014 is attached as Exhibit 16.1 to TripAdvisor’s Current Report on Form 8-K filed on February 11, 2014.

Contemporaneous with the determination to dismiss E&Y, the Audit Committee appointed KPMG as TripAdvisor’s independent registered public accounting firm for the year ending December 31, 2014, also to be effective immediately following the filing of TripAdvisor’s Annual Report. During the years ended December 31, 2013 and 2012 and the subsequent interim period through February 11, 2014, TripAdvisor did not consult with KPMG with respect to (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to TripAdvisor’s financial statements, and no written report or oral advice was provided to TripAdvisor that KPMG concluded was an important factor considered by TripAdvisor in reaching a decision as to any accounting, auditing or financial reporting issue, or (b) any matter that was subject to any disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions thereto, or a reportable event within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

The Sarbanes-Oxley Act of 2002 requires that the Audit Committee be directly responsible for the appointment, compensation and oversight of the audit work of the independent registered public accounting firm. If the stockholders fail to vote to ratify the appointment of KPMG, the Audit Committee will reconsider whether to retain KPMG and may retain that firm or another firm without resubmitting the matter to our stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of TripAdvisor and its stockholders.

A representative of KPMG is expected to be present at the Annual Meeting, and will be given an opportunity to make a statement if he or she so chooses and will be available to respond to appropriate questions.

Required Vote

At the Annual Meeting, TripAdvisor will ask its stockholders to ratify the appointment of KPMG as TripAdvisor's independent registered public accounting firm for 2014. This proposal requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class.

Abstentions will be counted toward the tabulations of voting power present and entitled to vote on the ratification of the independent registered public accounting firm proposal and will have the same effect as votes against the proposal. Brokers have discretion to vote on the proposal for ratification of the independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS TRIPADVISOR'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.

Fees Paid to Our Independent Registered Public Accounting Firm

E&Y was TripAdvisor's independent registered public accounting firm for the years ended December 31, 2013 and 2012. The following table sets forth aggregate fees for professional services rendered by E&Y for the years ended December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Audit Fees(1)	\$1,479,583	\$1,218,300
Audit-Related Fees(2)	—	—
Tax Fees(3)	3,150	3,150
Other Fees	<u>1,995</u>	<u>—</u>
Total Fees	<u>\$1,484,728</u>	<u>\$1,221,450</u>

- (1) Audit Fees include fees and expenses associated with the annual audit of TripAdvisor's consolidated financial statements, statutory audits, reviews of TripAdvisor's periodic reports, accounting consultations, reviews of SEC registration statements, report on the effectiveness of internal control and consents and other services related to SEC matters.
- (2) Audit-Related Fees include fees and expenses for due diligence in connection with acquisitions and accounting matters not related to the annual audit.
- (3) Tax Fees include fees and expenses for quarterly tax compliance services outside of the U.S.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has responsibility for appointing, setting compensation of and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by TripAdvisor's independent registered public accounting firm to ensure that the provision of such services does not impair the independent registered public accounting firm's independence from TripAdvisor and our management. Unless a type of service to be provided by our independent registered public accounting firm has received general pre-approval from the Audit Committee, it requires specific pre-approval by the Audit Committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the Audit Committee.

Pursuant to its pre-approval policy, the Audit Committee may delegate its authority to pre-approve services to one or more of its members, and it has currently delegated this authority to its Chairman, subject to a limit of \$250,000 per approval. The decisions of the Chairman (or any other member(s) to whom such authority may be delegated) to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may not delegate its responsibilities to pre-approve services to Company management.

The Audit Committee has considered the non-audit services provided by E&Y as described above and believes that they are compatible with maintaining E&Y's independence as our independent registered public accounting firm.

**PROPOSAL 3:
STOCKHOLDER PROPOSAL REGARDING MAJORITY VOTING IN DIRECTOR ELECTIONS**

Proposal

The United Brotherhood of Carpenters Pension Fund (the “Fund”) has submitted the following proposal, including proposed resolution and supporting statement:

Resolved: That the stockholders of TripAdvisor, Inc. (“Company”) hereby request that the Board of Directors initiate the appropriate process to amend TripAdvisor’s corporate governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of stockholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

Supporting Statement: TripAdvisor’s Board of Directors should establish a majority vote standard in director elections in order to provide stockholders a meaningful role in these important elections. The proposed majority vote standard requires that a director nominee receive a majority of the votes cast in an election in order to be formally elected. The standard is particularly well-suited for the vast majority of director elections in which only board nominated candidates are on the ballot. Under the current plurality standard, a board nominee can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are “withheld” from the nominee. We believe that a majority vote standard in board elections established a challenging vote standard for board nominees, enhances board accountability, and improves the performance of boards and individual directors.

In recent years, approximately 87% of the companies in the S&P 500 Index have adopted a majority vote standard in company bylaws, articles of incorporation, or charter. These companies have also adopted a director resignation policy that established a board-centric post-election process to determine the status of any director nominee that is not elected. This dramatic move to a majority vote standard is in direct response to strong stockholder demand for a meaningful role in director elections.

The TripAdvisor Board of Directors has not acted to establish a majority vote standard, retaining its plurality vote standard. The Board should take this critical first step in establishing a meaningful majority vote standard. With a majority vote standard in place, the Board can then act to adopt a director resignation policy to address the status of unelected directors. A majority vote standard combined with a post-election director resignation policy would establish a meaningful right for stockholders to elect directors at TripAdvisor, while reserving for the Board an important post-election role in determining the continued status of an unelected director. We urge the Board to join the mainstream major U.S. companies and establish a majority vote standard in director elections.

Statement of the Board of Directors in Opposition of the Stockholder Proposal

The Board of Directors believes that TripAdvisor’s current director election policies are in the best interest of our stockholders and do not need to be changed. In fact, despite our controlled status, our current director election policies give our minority stockholders a more meaningful role in the director election process than they would otherwise be entitled.

As of the record date, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Because each share of Class B common stock is generally entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.7% of our voting power. As a result, absent special provisions in our charter documents, Liberty would have control over the vote relating to the election of all director nominees.

TripAdvisor and our Board of Directors are committed to strong corporate governance practices and ensuring our minority stockholders have a meaningful role in director elections. Specifically, our charter documents provide that the holders of common stock, acting as a separate class, elect 25% of the total number of directors, which number will be rounded up if not a whole number. For example, at this stockholder meeting, our common stockholders (excluding the votes represented by our Class B shares, all of which are owned by Liberty) will elect three of our nine directors even though the common stockholders do not represent a majority of our outstanding voting power.

Your Board of Directors believes that this protection, included in our certificate of incorporation, provides an important benefit to our common stockholders in the context of a controlled company. In contrast, the majority voting requirement, absent our charter provision discussed above, would result in Liberty fully controlling the election of all directors. Taking into account the facts and circumstances of TripAdvisor's capital structure and ownership profile, the Board of Directors does not believe the proposal is in the best interests of our stockholders.

Required Vote

This proposal requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor common stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "AGAINST" THIS PROPOSAL.

AUDIT COMMITTEE REPORT

Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal control over financial reporting. TripAdvisor's independent registered public accounting firm is engaged to audit and express opinions on the conformity of TripAdvisor's financial statements to generally accepted accounting principles and applicable rules and regulations, and the effectiveness of TripAdvisor's internal control over financial reporting.

The Audit Committee serves as a representative of the Board of Directors and assists the Board in monitoring (i) the integrity of the financial reporting process of TripAdvisor, (ii) the independent registered public accounting firm's qualifications and independence, (iii) the performance of the independent registered public accounting firm and our internal audit department, and (iv) our compliance with legal and regulatory requirements. In this context, the Audit Committee met seven times in 2013 and took the following actions:

- appointed the independent registered public accounting firm, discussed with the auditors the overall scope and plans for the independent audit and pre-approved all audit and non-audit services to be performed by E&Y;
- reviewed and discussed with management and the auditors the audited consolidated financial statements for the year ended December 31, 2013 as well as TripAdvisor's quarterly financial statements and interim financial information contained in each quarterly earnings announcement prior to public release;
- discussed with the auditors the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended and as adopted by the Public Company Accounting Oversight Board ("PCAOB"), and received all written disclosures, including the letter from the auditors required pursuant to Rule 3526 of the PCAOB "Communication with Audit Committees Concerning Independence";
- discussed with the auditors its independence from TripAdvisor and TripAdvisor's management as well as considered whether the non-audit services provided by the auditors could impair its independence and concluded that such services would not;
- reviewed and discussed with management and the auditors TripAdvisor's compliance with requirements of the Sarbanes-Oxley Act of 2002 with respect to internal control over financial reporting, together with management's assessment of the effectiveness of TripAdvisor's internal control over financial reporting and the auditors' audit of internal control over financial reporting; and
- regularly met separately with E&Y, with and without management present, to discuss the results of their examinations, including the integrity, adequacy and effectiveness of the accounting and financial reporting processes and controls.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in TripAdvisor's Annual Report on Form 10-K for the year ended December 31, 2013, and the Board approved such inclusion.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that TripAdvisor specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Members of the Audit Committee:

Robert S. Wiesenthal (Chairman)
Jonathan F. Miller
Spencer Rascoff

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis describes TripAdvisor’s executive compensation program as it relates to the following “named executive officers”:

<u>Name</u>	<u>Position</u>
Stephen Kaufer	President and Chief Executive Officer
Julie M.B. Bradley	Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer
Seth J. Kalvert	Senior Vice President, General Counsel and Secretary

TripAdvisor has a Compensation Committee and a Section 16 Committee that together have primary responsibility for establishing the compensation of our named executive officers. In this Proxy Statement, we refer to the Compensation Committee and Section 16 Committee collectively as the “Compensation Committees.”

Compensation Program Objectives

TripAdvisor’s executive compensation program is designed to attract, motivate and retain highly skilled employees in executive positions with the business experience and acumen that management and the Compensation Committees believe are necessary for achievement of TripAdvisor’s long-term business objectives and to ensure that the compensation provided to these executives remains competitive with the compensation paid to similarly situated executives at comparable companies. The executive compensation program is also designed so that it does not encourage our named executive officers to take unreasonable risks relating to our business. In addition, the executive compensation program is designed to reward both short-term and long-term performance and to align the financial interests of our named executive officers with the interests of our stockholders.

Management and the Compensation Committees evaluate both performance and compensation levels to ensure that we maintain our ability to attract and retain outstanding employees in executive positions. To that end, management and the Compensation Committees believe the executive compensation packages provided by TripAdvisor to our named executive officers should include both cash and equity-based compensation.

Roles and Responsibilities

Role of the Compensation and Section 16 Committees

The Compensation Committee is appointed by the Board of Directors and consists entirely of directors who are “outside directors” for purposes of Section 162(m) of the Code. The Compensation Committee currently consists of Ms. Singh Cassidy and Messrs. Philips and Maffei. Mr. Maffei replaced Michael Zeisser as a member of the Compensation Committee upon Mr. Zeisser’s resignation as a director in February 2013. The Compensation Committee is responsible for (i) designing and overseeing our compensation with respect to our executive officers, including salary matters, bonus plans and stock compensation plans and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (for which the Section 16 Committee has responsibility as described below). Ms. Singh Cassidy is the Chairperson of the Compensation Committee.

The Section 16 Committee is also appointed by the Board of Directors and consists entirely of directors who are “non-employee directors” for purposes of Rule 16b-3 under the Exchange Act. The Section 16 Committee

currently consists of Ms. Singh Cassidy and Mr. Philips. The Section 16 Committee is responsible for administering and overseeing matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to our named executive officers. Ms. Singh Cassidy is also the Chairperson of the Section 16 Committee.

Role of Executive Officers

Management participates in reviewing and refining our executive compensation program. Mr. Kaufer, TripAdvisor's President and Chief Executive Officer, annually reviews the performance of TripAdvisor and each named executive officer with the Compensation Committees and makes recommendations with respect to the appropriate base salary, annual cash bonus and grants of equity awards for each named executive officer, other than in connection with compensation for himself. Based in part on these recommendations and the other factors discussed below, the Compensation Committees review and approve the annual compensation package of each named executive officer.

Role of Compensation Consultant

Pursuant to the Compensation Committee and Section 16 Committee Charter, the Compensation Committees may retain compensation consultants for the purpose of assisting the Compensation Committees in their evaluation of the compensation for our named executive officers. In 2013, the Compensation Committees retained Compensia, Inc. ("Compensia"), a management consulting firm providing executive compensation advisory services to compensation committees and senior management, to assist in an evaluation of TripAdvisor's compensation peer group, to use the compensation peer group to compile and analyze competitive compensation market data for certain executive officer positions and to advise on matters related to our long-term incentive program structure. The Compensation Committees consider input from its compensation consultant as one factor in making decisions with respect to compensation matters, along with information and analysis they receive from management and their own judgment and experience.

Based on consideration of the factors set forth in the rules of the SEC and the NASDAQ Rules, the Compensation Committees have determined that its relationship with Compensia and the work performed by Compensia on behalf of the Compensation Committees has not raised any conflict of interest. In addition, in compliance with the Compensation Committee and Section 16 Committee Charter, the Compensation Committees approved the fees paid to Compensia for work performed in 2013 and can confirm that such payments did not exceed \$120,000.

Role of Stockholders

TripAdvisor provides its stockholders with the opportunity to cast an advisory vote to approve the compensation of our named executive officers every three years. In evaluating our 2013 executive compensation program, the Compensation Committees considered the result of the stockholder advisory vote on our executive compensation (the "say-on-pay vote") held at our Annual Meeting of Stockholders on June 26, 2012, which was approved by over 99% of the votes cast. As a result, the Compensation Committees did not make any significant changes to our executive compensation program for 2013. The Compensation Committees will continue to consider the outcome of the say-on-pay vote when making future compensation decisions for our named executive officers.

We will hold a say-on-pay vote every three years until the next vote on the frequency of such stockholder advisory votes, which will occur no later than our 2018 Annual Meeting of Stockholders. Our next say-on-pay vote will occur in 2015.

Compensation Program Elements

General

The primary elements of our executive compensation program are base salary, an annual cash bonus and equity awards. Generally, the Compensation Committees review these elements in the first quarter of each year in light of TripAdvisor and individual performance, recommendations from management and other relevant information, including prior compensation history and outstanding long-term compensation arrangements. Management and the Compensation Committees believe that there are multiple, dynamic factors that contribute to success at an individual and business level. Management and the Compensation Committees have therefore refrained from adopting strict formulas and have relied primarily on a discretionary approach that allows the Compensation Committees to set executive compensation levels on a case-by-case basis, taking into account all relevant factors.

Following recommendations from management, the Compensation Committees may also adjust compensation for specific individuals at other times during the year when there are significant changes in responsibilities or under other circumstances that the Compensation Committees consider appropriate.

Base Salary

Base salary represents the fixed portion of a named executive officer's compensation and is intended to provide compensation for expected day-to-day performance. A named executive officer's base salary is initially determined upon hire or promotion based on his or her responsibilities, prior experience, individual compensation history and salary levels of other executives within TripAdvisor and similarly situated executives at comparable companies. Base salary is typically reviewed annually, at which time management makes recommendations to the Compensation Committees based on consideration of a variety of factors including, but not limited to, the following:

- the named executive officers total compensation relative to other executives in similarly situated positions,
- his or her individual performance,
- his or her responsibilities, prior experience, and individual compensation history, including any non-standard compensation,
- the terms of his or her employment agreement, if any,
- competitive compensation market data, when available,
- general economic conditions, and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

Annual Cash Bonuses

Cash bonuses are awarded to recognize and reward each named executive officer's annual contribution to Company performance. Mr. Kaufer has a target cash bonus opportunity equal to 100% of his base salary for the year, Ms. Bradley has a target cash bonus opportunity equal to 66% of her base salary for the year and Mr. Kalvert has a target cash bonus opportunity equal to 50% of his base salary for the year. Unless otherwise

provided by the provisions of his or her employment agreement, the target annual cash bonus opportunities for our named executive officers are generally established by the Compensation Committees, based on the recommendations of management, and are reviewed each year by the President and Chief Executive Officer with the approval of the Compensation Committees.

In February 2014, management recommended bonuses with respect to calendar year 2013 for each of our named executive officers after taking into account a variety of factors including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance,
- TripAdvisor's performance against strategic initiatives,
- the named executive officer's target cash bonus opportunity, if any,
- his or her individual performance,
- the overall funding of the cash bonus pool,
- the amount of bonus relative to other TripAdvisor executives,
- general economic conditions,
- competitive compensation market data, when available, and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

After consideration of the factors discussed above, the Compensation Committees awarded 2013 cash bonuses to our named executive officers as follows: Mr. Kaufer, \$450,000, Ms. Bradley, \$216,810, and Mr. Kalvert, \$166,250. With respect to Mr. Kaufer and Ms. Bradley, the bonus amounts represent 90% of their target cash bonus opportunities and, with respect to Mr. Kalvert, the bonus amount represents 95% of his target cash bonus opportunity. These cash bonuses are reported in the "Bonus" column of the table below titled "2013 Summary Compensation Table."

The annual cash bonuses awarded to our named executive officers for 2013 were subject to the achievement of performance goals relating either to stock price performance or revenues, which were satisfied. These performance goals were designed to permit TripAdvisor to deduct all named executive officer compensation for 2013 in accordance with Section 162(m) of the Code. Specifically, the cash bonuses awarded to our named executive officers in 2013 were subject to the satisfaction of one of the following performance goals:

- The revenues of TripAdvisor in any of the three consecutive calendar quarters beginning with the second quarter of 2013 must be at least 10% higher than the revenues in the corresponding calendar quarter 12 months before, excluding the benefit of any acquisitions by TripAdvisor during this period; or
- The closing price per share of TripAdvisor common stock must be at least 5% higher than the closing price of TripAdvisor's common stock on March 28, 2013, which was \$52.52 per share, on any 30 trading days during the period beginning March 29, 2013 and ending December 31, 2013 (such days not necessarily consecutive), taking into account any Share Change or Corporate Transaction (each as defined in the TripAdvisor 2011 Stock and Annual Incentive Plan, as amended (the "2011 Plan")).

In general, these performance goals reflect the minimally acceptable company performance that must be achieved for cash bonuses to be awarded to our named executive officers, but with respect to which there is

substantial uncertainty when established. Based on data provided by management, the Compensation Committees exercise negative discretion in making the annual cash bonus awards. By setting a high amount that can be reduced, TripAdvisor is advised by legal counsel that TripAdvisor's annual incentive plan meets the requirements of Section 162(m) of the Code. As a result, while performance targets are used in setting compensation under this plan, ultimately the levels of those targets and the Compensation Committees' use of negative discretion typically result in the award of compensation as if the annual incentive plan were operating as a discretionary plan.

Equity Awards

The Compensation Committees use equity awards to align executive compensation with our long-term performance. Equity awards link compensation to financial performance because their value depends on TripAdvisor's share price. Equity awards are also an important employee retention tool because they generally vest over a multi-year period, subject to continued service by the award recipient.

Equity awards are typically granted to our named executive officers upon hire or promotion and annually thereafter. Management generally recommends annual equity awards in the first quarter of each year when the Compensation Committees meet to make determinations regarding annual bonuses for the last completed fiscal year and to set compensation levels for the current fiscal year. The practice of the Compensation Committees is to generally grant equity awards to our named executive officers only in open trading windows.

Typically, equity awards have been in the form of awards of restricted stock units ("RSUs") or options to purchase shares of TripAdvisor common stock or some combination of the two. Stock options have an exercise price equal to the market price of TripAdvisor common stock on the date of grant, and, therefore, provide value to our named executive officers only if our stock price increases. Stock options generally vest over a period of four years. We believe stock options incentivize our named executive officers to sustain increases in stockholder value over extended periods of time. RSUs are a promise to issue shares of our common stock in the future provided the named executive officer remains employed with us through the award's vesting period. RSUs generally vest over a period of four years. RSUs provide the opportunity for capital accumulation and long-term incentive value and are intended to assist in satisfying our objectives.

The Compensation Committees review various factors considered by management when they establish TripAdvisor's equity grant pool including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance,
- dilution rates, taking into account projected headcount growth and employee turnover,
- non-cash compensation as a percentage of earnings before interest, taxes, depreciation and amortization,
- equity compensation utilization by peer companies,
- general economic conditions, and
- competitive compensation market data regarding award values.

For specific awards to our named executive officers, management makes recommendations to the Section 16 Committee based on a variety of factors including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance,
- individual performance and future potential of the executive,

- the overall size of the equity award pool,
- award value relative to other TripAdvisor executives,
- the value of previous awards and amount of outstanding unvested equity awards,
- competitive compensation market data, to the degree that the available data is comparable, and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

After review and consideration of the recommendations of management and the President and Chief Executive Officer (other than with respect to awards for himself), the Section 16 Committee decides whether to grant equity awards to our named executive officers. After consideration of the factors discussed above, in February 2013, the Section 16 Committee granted options to purchase 83,101 and 50,473 shares of TripAdvisor common stock to Ms. Bradley and Mr. Kalvert, respectively.

In August 2013, the Section 16 Committee granted an option to purchase 1,100,000 shares of TripAdvisor common stock to Mr. Kaufer, which will vest in equal installments on each of the fourth and fifth anniversaries of the award date of the grant, subject to Mr. Kaufer's continuous employment with, or performance of services for, TripAdvisor or one of its subsidiaries or affiliates and his being in good standing through each such vesting date. In consideration of this award, Mr. Kaufer is subject to non-competition and non-solicitation covenants that apply during his employment and until 18 months immediately following the termination of his employment for any reason. In recognition of the size of the stock option granted to Mr. Kaufer in August 2013, the Section 16 Committee has indicated its expectation that Mr. Kaufer will not be eligible for another equity award until August 2017.

Employee Benefits

In addition to the primary elements of compensation described above, our named executive officers also participate in employee benefits programs available to all domestic employees generally, including the TripAdvisor Retirement Savings Plan. Under this plan, TripAdvisor matches 50% of each dollar a participant contributes, up to the first 6% of eligible compensation, subject to tax limits.

In addition, we provide other benefits to our named executive officers on the same basis as all of our domestic employees generally. These benefits include group health (medical, dental, and vision) insurance, group disability insurance, and group life insurance.

In situations where a named executive officer is required to relocate, TripAdvisor also provides relocation benefits, including reimbursement of moving expenses, temporary housing and other relocation expenses as well as a tax gross-up payment on the relocation benefits. TripAdvisor also sponsors a Global Personal Travel Reimbursement program generally available to all employees, including named executive officers, that provides for reimbursement of up to \$750 a year for leisure travel that is arranged using one of the TripAdvisor Media Group family of products and provides all employees, including our named executive officers, an annual holiday bonus in the form of a gift card as well as a tax gross-up payment on the value of the gift card.

Compensation Program Policies

Executive Compensation Recovery

TripAdvisor has an executive compensation recovery, or clawback, policy providing for recoupment of certain equity compensation. Each of TripAdvisor's equity award documents provides that in the event an

employee is terminated for Cause (as defined in the 2011 Plan) or resigns within two years after any event or circumstance that would have been grounds for termination of employment for Cause, then the employee agrees that certain equity securities issued to such employee (whether or not vested) may be forfeited and cancelled in their entirety upon such termination of employment. In such event, TripAdvisor may cause the employee to either (i) return the equity securities or shares of common stock issued upon exercise or vesting of such securities, or (ii) pay to TripAdvisor an amount equal to the aggregate amount, if any, that the employee had previously realized in respect of any and all shares of common stock.

We intend to adopt a general clawback policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Insider Trading and Hedging Policy

TripAdvisor has adopted an Insider Trading Policy covering our directors, officers, employees and consultants designed to ensure compliance with relevant SEC regulations, including insider trading rules. TripAdvisor's insider trading policy also prohibits directors, officers, employees and consultants from engaging in various types of transactions in which they may profit from short-term speculative swings in the value of TripAdvisor securities. These transactions include "short sales" (or selling borrowed securities which the sellers hopes can be purchased at a lower price in the future), "put" and "call" options (or publicly available rights to sell or buy securities within a certain period of time at a specified price or the like) and hedging transactions, such as zero-cost collars and forward sale contracts.

The Role of Competitive Compensation Market Data

Management considers multiple data sources when reviewing compensation information to ensure that the data reflects compensation practices of relevant companies in terms of size, industry and geographic location. Among other factors, management considers the following information in connection with its recommendations to the Compensation Committees regarding compensation for named executive officers:

- data from salary and equity compensation surveys that include companies of a similar size, based on market capitalization, revenues and other factors, and
- data regarding compensation for certain executive officer positions (e.g., chief executive officer and chief financial officer) from recent proxy statements and other SEC filings of peer companies, which include: (a) direct industry competitors, and (b) non-industry companies with which TripAdvisor commonly competes for talent (including both regional and national competitors).

In February 2013, based on the recommendation of management, the Compensation Committee approved the following companies to constitute the compensation peer group for purposes of serving as a referring in determining 2013 base salaries and equity awards for our executive officers:

Akamai Technologies, Inc.
Concur Technologies, Inc.
Groupon, Inc.
LinkedIn Corp.
Nuance Communications, Inc.
priceline.com Incorporated
Salesforce.com Inc.
ValueClick, Inc.
Workday, Inc.

Ancestry, Inc.
Expedia, Inc.
Homeaway.com, Inc.
Netflix, Inc.
Parametric Technology, Inc.
Progress Software Corp.
Shutterstock, Inc.
WebMD Health Corp.
Zynga Inc.

In the summer of 2013, the Compensation Committee retained Compensia to review the existing compensation peer group and to recommend possible changes. Compensia recommended certain changes to the compensation peer group, including focusing on companies in the business to consumer internet content and software industries. As a result, beginning in the summer of 2013 and with the granting of the equity award to Mr. Kaufer in August 2013, the following companies constituted TripAdvisor's compensation peer group:

Business to Consumer Internet Content

Expedia, Inc.
Homeaway.com, Inc.
LinkedIn Corp.
Pandora Media, Inc.
Shutterfly, Inc.

Groupon, Inc.
IAC/InterActiveCorp
Netflix, Inc.
priceline.com Incorporated
VistaPrint N.V.

Software

Akamai Technologies, Inc.
Citrix Systems, Inc.
FactSet Research Systems Inc.
Nuance Communications, Inc.
Verisign, Inc.

Ansys, Inc.
Concur Technologies, Inc.
NetSuite Inc.
Red Hat Inc.
Workday, Inc.

When available, management considers competitive market compensation paid by peer group companies but does not attempt to maintain a certain target percentile within the compensation peer group or otherwise rely solely on such data when making recommendations to the Compensation Committees regarding compensation for our named executive officers. Management and the Compensation Committees strive to incorporate flexibility into our executive compensation program and the assessment process to respond to and adjust for the evolving business environment and the value delivered by our named executive officers.

Tax Matters

Section 162(m) of the Code generally permits a tax deduction to public corporations for compensation over \$1 million paid in any fiscal year to their chief executive officer and certain other highly compensated executive officers only if the compensation qualifies as "performance-based compensation" for purposes of Section 162(m). The Compensation Committees endeavor to structure the compensation of our executive officers to qualify as "performance-based compensation" when it deems such qualification to be in the best interests of TripAdvisor and its stockholders. Nonetheless, from time to time certain nondeductible compensation may be paid and the Board of Directors and the Compensation Committees reserve the authority to award nondeductible compensation to our executive officers in appropriate circumstances.

For purposes of enabling TripAdvisor to deduct the compensation paid to and recognized by our named executive officers in accordance with Section 162(m) of the Code, the Compensation Committees sought to design the annual bonuses awarded to our named executive officers in 2013 to qualify as "performance-based compensation" as described under "Compensation Program Elements — Cash Bonuses" above.

Post-Employment Compensation

Change in Control

Under the 2011 Plan, our named executive officers are entitled to accelerated vesting of their outstanding and unvested equity awards in the event of a change in control of TripAdvisor (i.e. a "single trigger" acceleration provision), although the definition of a "change in control" in the 2011 Plan does not include the acquisition of voting control by Liberty. When the 2011 Plan was adopted, the Compensation Committees believed that accelerated vesting of equity awards in connection with change in control transactions would provide an incentive for our named executive officers to continue to help execute successfully such a transaction from its early stages until closing. Under the 2011 Plan, acceleration of equity awards for all other employees is subject to

double trigger acceleration (*i.e.*, accelerated vesting occurs only upon an involuntary termination of employment or resignation for “Good Reason” during the two-year period following a Change in Control).

After further evaluation of the “single trigger” acceleration provisions, the Compensation Committees determined that future equity awards made under the 2011 Plan would not be entitled to “single trigger” acceleration and, instead, the award agreements with respect to such equity awards would provide that any acceleration of vesting of the equity awards would be subject to “double trigger” rather than “single trigger” acceleration. This means that a vesting of outstanding and unvested equity awards would only occur upon both a change in control and termination of employment. With respect to Mr. Kaufer’s equity grant in August 2013, Mr. Kaufer agreed to waive the “single trigger” acceleration right and instead agreed that acceleration of this equity award is subject to “double trigger” acceleration. This determination will not have an impact on equity awards made to our named executive officers prior to Mr. Kaufer’s equity grant in August 2013. For a description and quantification of change in control payments and benefits for our named executive officers, please see the section below entitled “Potential Payments Upon Termination of Change in Control.”

Severance

In October 2013, the terms of the employment agreements between TripAdvisor, LLC, a subsidiary of TripAdvisor, and each of Ms. Bradley and Mr. Kalvert expired pursuant to the terms of such employment agreements. Mr. Kaufer was not covered by an employment agreement in 2013.

In March 2014, TripAdvisor, entered into employment agreements with each of our named executive officers, pursuant to which the named executive officers are entitled to certain severance payments and benefits in the event of a qualifying termination of employment. The material terms of these employment agreements are described below under the headings “Potential Payments Upon Termination or Change in Control — Stephen Kaufer Employment Agreement” and “Potential Payments Upon Termination or Change in Control — Julie M.B. Bradley and Seth J. Kalvert Employment Agreements.”

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Philips and Maffei and the Section 16 Committee consists of Ms. Singh Cassidy and Mr. Philips. Mr. Zeisser was a member of the Compensation Committee until his resignation from the Board of Directors in February 2013. None of Ms. Singh Cassidy or Messrs. Philips, Zeisser or Maffei was an officer or employee of TripAdvisor, formerly an officer of TripAdvisor, or an executive officer of an entity for which an executive officer of TripAdvisor served as a member of the compensation committee or as a director during the one-year period ended December 31, 2013.

Compensation Committees Report

This report is provided by the Compensation Committee and the Section 16 Committee (the “Compensation Committees”) of the Board of Directors. The Compensation Committees have reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on this review and discussions with management, the Compensation Committees recommended to the Board of Directors that the Compensation Discussion and Analysis be included in TripAdvisor’s 2014 Proxy Statement.

Members of the Compensation Committee:

Sukhinder Singh Cassidy (Chairperson)
Jeremy Philips
Gregory B. Maffei

Members of the Section 16 Committee:

Sukhinder Singh Cassidy (Chairperson)
Jeremy Philips

EXECUTIVE COMPENSATION

2013 Summary Compensation Table

The following table sets forth certain information regarding the compensation that TripAdvisor's President and Chief Executive Officer; Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer; and Senior Vice President, General Counsel and Secretary earned during the fiscal years ended December 31, 2013, 2012 and 2011. Prior to December 20, 2011, TripAdvisor was a wholly-owned subsidiary of Expedia, with Expedia as its sole stockholder. This table includes all compensation received from Expedia for services performed in 2011 for those named executive officers who devoted substantially all of their efforts to TripAdvisor's businesses prior to December 20, 2011.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)(1)</u>	<u>Stock Awards (\$)(2)</u>	<u>Option Awards (\$)(2)</u>	<u>All Other Compensation (\$)(3)</u>	<u>Total (\$)</u>
Stephen Kaufer President and Chief Executive Officer	2013	500,000	450,000	—	38,054,126	10,101	39,014,227
	2012	469,231	750,000	—	5,126,804	47,440	6,393,475
	2011	300,000	500,000	—	3,345,249	51,802	4,197,051
Julie M.B. Bradley Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer	2013	355,385	216,810	—	1,889,028	8,665	2,469,888
	2012	302,116	250,000	—	2,050,722	1,574	2,604,412
	2011	69,231	100,000	1,215,500	—	—	1,384,731
Seth J. Kalvert Senior Vice President, General Counsel and Secretary	2013	346,923	166,250	—	1,147,338	6,847	1,667,358
	2012	329,231	205,000	—	1,025,361	268,496	1,828,088
	2011	112,500	180,000	—	493,170	75,552	861,222

(1) The amounts reported in this column represent cash bonuses paid in March 2014, March 2013 and April 2012 for annual performance in 2013, 2012 and 2011, respectively.

- (2) The amounts reported in this column represent the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 718 (“ASC 718”), excluding the effect of estimated forfeitures. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be realized by our named executive officers from their equity awards. Stock awards consist of RSUs valued using the closing price of TripAdvisor’s common stock on the NASDAQ Stock Market on the grant date. Stock option awards were valued at the date of grant using a Black-Scholes Merton option pricing model (the “Black-Scholes Model”). The Black-Scholes Model incorporates various assumptions including expected volatility, expected term, risk-free rate of return and expected dividend yield. The expected volatility for the awards above was based on the average of our historical stock price volatility and certain peer group companies based on daily price observations over a period equivalent or approximate to the expected term of the stock option awards. The decision to use a weighted average volatility factor with our peer group was based upon the relatively short period of availability of data on TripAdvisor common stock. The expected term was based on using the simplified method for all stock options as we do not have sufficient historical exercise data on TripAdvisor common stock. Our expected dividend yield is zero, as we have not paid any dividends on TripAdvisor common stock to date and do not expect to pay any cash dividends for the foreseeable future. The grant date fair value of the 2013 stock option awards was determined using the following assumptions:

Expected Term (years)	Risk-Free Interest Rate (%)	Expected Volatility (%)	Expected Dividend Yield (% of grant date closing price)
6.25(a)	1.07(a)	51.75(a)	0.00(a)
5.75(b)	1.83(b)	49.64(b)	0.00(b)

- (a) Grant date assumptions used to determine fair value of February 28, 2013 grants.
(b) Grant date assumptions used to determine fair value of August 28, 2013 grants.

- (3) See the following table for additional information regarding the amounts reported in the “All Other Compensation” column for 2013 above.

2013 All Other Compensation

	Stephen Kaufer (\$)	Julie M.B. Bradley (\$)	Seth J. Kalvert (\$)
Gift Card(a)	100	100	100
Tax Gross-Up on Gift Card(b)	40	40	40
401(k) Company Match(c)	7,650	7,650	5,990
Dividend Equivalents(d)	2,311	875	717

- (a) Represents the amount of a gift card that was given to all employees as a holiday bonus.
(b) Represents the amount of the tax gross-up paid in connection with the gift cards described above.
(c) Represents matching contributions of TripAdvisor under the TripAdvisor Retirement Savings Plan as in effect through December 31, 2013, pursuant to which TripAdvisor matches \$0.50 for each dollar a participant contributes, up to the first 6% of eligible compensation, subject to limits imposed by the Code.
(d) Represents amounts paid in cash for accrued dividend equivalents on vested RSUs that were assumed by TripAdvisor in the Spin-Off.

2013 Grants of Plan-Based Awards Table

During fiscal year 2013, the Section 16 Committee approved stock option awards to our named executive officers as follows:

<u>Name</u>	<u>Grant Date</u>	<u>All Other Awards: Number of Securities Underlying Options(#)</u>	<u>Exercise Price or Base Price of Option Awards (\$/Sh)</u>	<u>Grant Date Fair Value of Stock and Option Awards (\$)(1)</u>
Stephen Kaufer	8/28/13	1,100,000	72.52	38,054,126
Julie M.B. Bradley	2/28/13	83,101	45.54	1,889,028
Seth J. Kalvert	2/28/13	50,473	45.54	1,147,338

(1) The amounts reported in this column represent the aggregate grant date fair value computed in accordance with FASB ASC 718 and may not correspond to the actual value that will be realized by the named executive officer. See footnote (2) in the 2013 Summary Compensation Table above for more information regarding the determination of the grant date fair value of these awards.

2013 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding the holdings of stock options and RSUs by our named executive officers as of December 31, 2013. The market value of the RSUs is based on the closing price of TripAdvisor common stock on the NASDAQ Stock Market on December 31, 2013 the last trading day of the year, which was \$82.83 per share.

<u>Name</u>	<u>Grant Date(1)</u>	<u>Option Awards</u>				<u>Stock Awards</u>	
		<u>Number of Securities Underlying Unexercised Options (#)</u>	<u>Number of Securities Underlying Unexercised Options (#)</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>	<u>Number of Shares or Units of Stock That Have Not Vested (#)</u>	<u>Market Value of Shares or Units of Stock That Have Not Vested (\$)</u>
Stephen Kaufer	3/2/2009	72,124	—	7.80	3/2/2016	—	—
	3/2/2009	28,314	—	9.75	3/2/2016	—	—
	2/23/2010	38,776	15,337(2)	23.76	2/23/2017	—	—
	3/1/2011	35,392	35,393(3)	20.87	3/1/2018	—	—
	11/30/2011	117,975	117,975(3)	29.48	11/30/2018	—	—
	5/4/2012	62,500	187,500(4)	40.20	5/4/2022	—	—
	8/28/2013	—	1,100,000(5)	72.52	8/28/2020	—	—
Julie M.B. Bradley	10/4/2011	—	—	—	—	23,595(7)	1,954,374
	5/4/2012	25,000	75,000(4)	40.20	5/4/2022	—	—
	2/28/2013	—	83,101(6)	45.54	2/28/2023	—	—
Seth J. Kalvert	2/23/2010	—	4,129(8)	23.76	2/23/2017	—	—
	3/1/2011	—	7,079(3)	20.87	3/1/2018	—	—
	8/25/2011	5,899	11,798(3)	28.86	8/25/2018	—	—
	11/30/2011	2,360	4,719(3)	29.48	11/30/2018	—	—
	5/4/2012	12,500	37,500(4)	40.20	5/4/2022	—	—
	2/28/2013	—	50,473(6)	45.54	2/28/2023	—	—

(1) Represents the date on which the original award was approved by the applicable compensation committee. All awards with a grant date prior to December 20, 2011 were awarded by Expedia and were converted into equity awards for TripAdvisor common stock upon effectiveness of the Spin-Off.

- (2) Of the total number of shares of TripAdvisor common stock subject to this stock option, 8,103 shares vested on February 23, 2011, 15,336 shares vested on February 23, 2012, 15,337 shares vested on February 23, 2013 and 15,337 shares will vest on February 23, 2014.
- (3) The shares of TripAdvisor common stock subject to these options vest in four equal annual installments commencing on first anniversary of the date of grant.
- (4) The shares of TripAdvisor common stock subject to these options vest in four equal annual installments commencing on February 15, 2013.
- (5) The shares of TripAdvisor common stock subject to these options vest in two equal annual installments on the fourth and fifth anniversary of the grant date.
- (6) The shares of TripAdvisor common stock subject to these options vest in four equal annual installments commencing on February 15, 2014.
- (7) Of the number of shares of TripAdvisor common stock subject to these RSUs, 11,797 shares vest on October 3, 2014 and 11,798 vest on October 3, 2015.
- (8) Of the total number of shares of TripAdvisor common stock subject to this stock option, 2,181 shares vested on February 23, 2011, 4,129 shares vested on February 23, 2013, 4,129 shares vested on February 23, 2013, and 4,129 shares will vest on February 23, 2014.

2013 Option Exercises and Stock Vested Table

The following table sets forth all stock option awards exercised and the value realized upon exercise and all other equity awards vested and the value realized upon vesting by the named executive officers during 2013.

Name	Exercise or Vest Date	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise (\$)(2)	Number of Shares Acquired on Vesting (#)(3)	Value Realized on Vesting (\$)(4)
Stephen Kaufer	2/28/2013	—	—	3,895	176,327
Julie M.B. Bradley	10/3/2013	—	—	11,798	939,829
Seth J. Kalvert	2/28/2013	—	—	1,208	54,686
	9/9/2013	22,669	1,515,876	—	—
	9/9/2013	10,439	531,658	—	—
	9/9/2013	7,078	380,867	—	—
	9/9/2013	5,898	270,069	—	—
	9/9/2013	2,359	106,603	—	—

- (1) The amounts reported in this column represent the gross number of shares acquired upon the exercise of vested stock options without taking into account any shares that may be withheld to cover option exercise price or applicable tax obligations.
- (2) The amounts reported in this column represent the value of the shares acquired upon exercise of vested stock options calculated by multiplying (i) the number of shares of TripAdvisor's common stock to which the exercise of the option is related by (ii) the difference between the market price of TripAdvisor's common stock at exercise and the exercise price of the options.
- (3) The amounts reported in this column represent the gross number of shares acquired upon the vesting of RSUs without taking into account any shares that may be withheld to satisfy applicable tax obligations.
- (4) The amounts reported in this column represent the value of the shares acquired upon the vesting of RSUs calculated by multiplying the gross number of vested shares subject to the RSUs by the closing price of TripAdvisor common stock on the NASDAQ Stock Market on the vesting date or if the vesting occurred on a day on which the NASDAQ Stock Market was closed for trading, the next trading day.

Non-Qualified Deferred Compensation

We do not currently have any other defined contribution or other plan that provides for deferred compensation on a basis that is not tax-qualified for employees.

Potential Payments Upon Termination or Change in Control

Certain of our compensation plans, award agreements and employment agreements entitle our named executive officers to accelerated vesting of outstanding and unvested equity awards or severance payments in the event of a change in control of TripAdvisor and/or upon the termination or material adverse modification of his or her employment with TripAdvisor under specified circumstances. These plans and agreements are described below as they apply to each named executive officer.

Change of Control Provisions of TripAdvisor's 2011 Stock and Annual Incentive Plan and Award Agreements Thereunder

The 2011 Plan provided that in the event of a Change in Control (as defined in the 2011 Plan), (i) any outstanding stock options held by our named executive officers as of the date of the Change in Control which are not then exercisable and vested will become fully exercisable and vested, and (ii) all RSUs held by our named executive officers will be considered to be earned and payable in full and any deferral or other restrictions will lapse and such RSUs will be settled in cash or shares of TripAdvisor common stock as promptly as practicable.

After further evaluation of the "single trigger" acceleration provisions, the Compensation Committees determined that future equity awards made under the 2011 Plan would not be entitled to "single trigger" acceleration and, instead, the award agreements with respect to such equity awards would provide that any acceleration of vesting of the equity awards would be subject to "double trigger" rather than "single trigger" acceleration. This means that a vesting of outstanding and unvested equity awards would only occur upon both a change in control and termination of employment. With respect to Mr. Kaufer's equity grant in August 2013, Mr. Kaufer agreed to waive the "single trigger" acceleration right and instead agreed that acceleration of this equity award is subject to "double trigger" acceleration. This determination will not have an impact on equity awards made to our named executive officers prior to Mr. Kaufer's equity grant in August 2013.

Stephen Kaufer Employment Agreement

In March 2014, TripAdvisor entered into an employment agreement with Mr. Kaufer. Previously, TripAdvisor did not have an employment agreement with Mr. Kaufer. The employment agreement has a term of five years.

Pursuant to the employment agreement, in the event that Mr. Kaufer terminates his employment for Good Reason (as defined below) or is terminated by TripAdvisor without Cause (as defined below) and such termination occurs during the period commencing three months immediately prior to a Change in Control (as defined in the 2011 Plan) and ending 24 months immediately following the Change in Control, then:

- TripAdvisor will pay Mr. Kaufer cash severance in an amount equal to 24 months of his base salary;
- TripAdvisor will pay Mr. Kaufer in cash an amount equal to the premiums charged by TripAdvisor to maintain COBRA health insurance coverage for Mr. Kaufer and his eligible dependents for each month between the date of termination and 18 months thereafter;
- TripAdvisor will pay to Mr. Kaufer a lump sum in cash equal to his annual target bonus, without proration or adjustment;
- all equity awards held by Mr. Kaufer that are outstanding and unvested shall immediately vest in full; and

- Mr. Kaufer will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration date of the options.

Pursuant to the employment agreement, in the event that Mr. Kaufer terminates his employment for Good Reason or is terminated by TripAdvisor without Cause and such termination is not in connection with a Change in Control, then:

- TripAdvisor will continue to pay Mr. Kaufer's base salary through 12 months following the date of termination (provided that such payments will be offset by any amount earned from another employer during such time period);
- TripAdvisor will consider in good faith the payment of an annual bonus on a pro rata basis and based on actual performance for the year in which termination of employment occurs;
- TripAdvisor will pay COBRA health insurance coverage for Mr. Kaufer and his eligible dependents through the longer of the end of the term of Mr. Kaufer's employment agreement and 12 months following termination;
- all equity awards held by Mr. Kaufer that otherwise would have vested during the 12-month period following termination of employment, will accelerate and become fully vested and exercisable (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and
- Mr. Kaufer will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration date of the options.

With respect to Mr. Kaufer's equity grant in August 2013, Mr. Kaufer agreed to waive the single trigger acceleration right upon a change in control and, instead, acceleration of this equity award is subject to double trigger acceleration. This determination will not have an impact on equity awards made to our named executive officers prior to Mr. Kaufer's equity grant in August 2013. For a description and quantification of change in control payments and benefits for our named executive officers, please see the section below entitled "Potential Payments Upon Termination of Change in Control."

Mr. Kaufer has also agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, during the term of his employment and through the period ending 18 months after the termination of employment.

Julie M.B. Bradley and Seth J. Kalvert Employment Agreements

In October 2011, TripAdvisor, LLC, a subsidiary of TripAdvisor, entered into agreements with each of Ms. Bradley and Mr. Kalvert. Such employment agreements had terms of two years and expired in October 2013. Effective March 31, 2014, TripAdvisor, LLC entered into new employment agreements with Ms. Bradley and Mr. Kalvert, each with two-year terms, on substantially the same terms as the expired employment agreements.

Pursuant to the employment agreements with Ms. Bradley and Mr. Kaufer, in the event that either executive terminates his or her employment for Good Reason (as defined below) or is terminated by TripAdvisor without Cause (as defined below):

- TripAdvisor will continue to pay the executive's base salary through the longer of the end of the term of the executive's employment agreement and 12 months following termination (provided that such payments will be offset by any amount earned from another employer during such time period);

- TripAdvisor will consider in good faith the payment of bonuses on a pro rata basis based on actual performance for the year in which termination of employment occurs;
- TripAdvisor will pay COBRA health insurance coverage for the executive and his or her eligible dependents through the longer of the end of the term of the executive's employment agreement and 12 months following termination;
- all equity awards held by the named executive officer that otherwise would have vested during the 12-month period following termination of employment, will accelerate and become fully vested and exercisable (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and
- the executive will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration date of the options.

In return, Ms. Bradley and Mr. Kaufer have agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, through the longer of (i) the completion of the term of the employment agreement and (ii) 12 months after the termination of employment.

Employment Agreement Definitions

Under the employment agreements with our named executive officers, "Good Reason" means the occurrence of any of the following without the executive's prior written consent: (A) TripAdvisor's material breach of any material provision of the employment agreement, (B) the material reduction in the executive's title, duties, reporting responsibilities or level of responsibilities in such executive's position at TripAdvisor, (C) the material reduction in the executive's base salary or the executive's total annual compensation opportunity, or (D) the relocation of the executive's principal place of employment more than 50 miles outside the Boston metropolitan area; provided that in no event shall the executive's resignation be for "Good Reason" unless (x) an event or circumstance set forth in clauses (A) through (D) shall have occurred and the executive provides TripAdvisor with written notice thereof within 30 days after the executive has knowledge of the occurrence or existence of such event or circumstance, which notice specifically identifies the event or circumstance that the executive believes constitutes Good Reason, (y) TripAdvisor fails to correct the event or circumstance so identified within 30 days after receipt of such notice, and (z) the executive resigns within 90 days after the date of delivery of the notice referred to in clause (x) above.

Under the employment agreements with our named executive officers, "Cause" means: (i) the plea of guilty or nolo contendere to, conviction for, a felony offense by the executive; provided, however, that after indictment, TripAdvisor may suspend the executive from rendition of services but without limiting or modifying in any other way TripAdvisor's obligations under the employment agreement, (ii) a material breach by the executive of a fiduciary duty owed to TripAdvisor, (iii) material breach by the executive of certain covenants of the employment agreement, (iv) the willful or gross neglect by the executive of the material duties required by the employment agreement and (v) a knowing and material violation by the executive of any TripAdvisor policy pertaining to ethics, legal compliance, wrongdoing or conflicts of interest that, in the cases of the conduct described in clauses (iv) and (v) above, if curable, is not cured by the executive within 30 days after the executive is provided with written notice thereof.

Estimated Potential Incremental Payments

For the period October 2013 through March 30, 2014, Ms. Bradley and Mr. Kalvert did not have written employment agreements with TripAdvisor, as their original written employment agreements expired in October

2013 and new written employment agreements were not entered into until March 2014. During that time, TripAdvisor nonetheless continued to compensate Ms. Bradley and Mr. Kalvert, and both parties acted, as if the written employment agreements were still in effect. As a result, the table below reflects the estimated amount of incremental compensation payable to Ms. Bradley and Mr. Kalvert upon termination of his or her employment in the following circumstances: (i) a termination by TripAdvisor without Cause, (ii) resignation by him or her for Good Reason not in connection with a Change in Control, (iii) a Change in Control or (iv) a termination of employment by TripAdvisor without Cause or by him or her for Good Reason in connection with a Change in Control (in all cases as if their written employment agreements were in effect). The table below does not reflect the payments to which Mr. Kaufer would be entitled pursuant to the terms of the employment agreement entered into effective March 31, 2014.

The amounts shown in the table assume that the triggering event was effective as of December 31, 2013 and that the price of TripAdvisor common stock on which certain of the calculations are based was the closing price of \$82.83 per share on the NASDAQ Stock Market on December 31, 2013, the last trading day in 2013. These amounts are estimates of the incremental amounts that would be paid out to each named executive officer upon such triggering event. The actual amounts to be paid out can only be determined at the time of the triggering event, if any.

<u>Name and Benefit</u>	<u>Termination without Cause</u>	<u>Resignation for Good Reason</u>	<u>Change in Control</u>	<u>Termination w/o Cause or for Good Reason in connection with Change in Control</u>
Stephen Kaufer				
Cash Severance (salary)	\$ —	\$ —	\$ —	\$ —
Stock Options (vesting accelerated)	—	—	28,726,998(1)	28,726,998
RSUs (vesting accelerated)	—	—	—	—
Total estimated value	<u>\$ —</u>	<u>\$ —</u>	<u>\$28,726,998</u>	<u>\$28,726,998</u>
Julie M.B. Bradley				
Cash Severance (salary)	\$ 365,000(1)	\$ 365,000(1)	\$ —	\$ 365,000(1)
Stock Options (vesting accelerated)	1,840,570(1)	1,840,570(1)	6,296,419	6,296,419(1)
RSUs (vesting accelerated)	977,146(1)	977,146(1)	1,954,374	1,954,374(1)
Health & Benefits	20,936(1)	20,936(1)	—	20,936(1)
Total estimated value	<u>\$3,203,652</u>	<u>\$3,203,652</u>	<u>\$ 8,250,793</u>	<u>\$ 8,636,729</u>
Seth J. Kalvert				
Cash Severance (salary)	\$ 350,000(1)	\$ 350,000(1)	\$ —	\$ 350,000(1)
Stock Options (vesting accelerated)	1,910,886(1)	1,910,886(1)	5,051,977	5,051,977(1)
RSUs (vesting accelerated)	—	—	—	—
Health & Benefits	20,936(1)	20,936(1)	—	20,936(1)
Total estimated value	<u>\$2,281,822</u>	<u>\$2,281,822</u>	<u>\$ 5,051,977</u>	<u>\$ 5,422,913</u>

- (1) In March 2014, in connection with the execution of an employment agreement, Mr. Kaufer agreed to waive the “single trigger” acceleration right upon a change in control with respect to the non-qualified stock option to purchase 1,100,000 shares of common stock awarded effective August 28, 2013. As a result, the vesting of these securities will not accelerate upon a change in control, without a termination of employment. The value of these securities which will not vest upon a single trigger (which value is included in this amount) is \$11,341,000 as of December 31, 2013.
- (2) Represents salary continuation, equity acceleration benefits and other payments and benefits pursuant to the terms of the employment agreements described in the sections above titled “— Julie M.B. Bradley and Seth J. Kalvert Employment Agreements.”

Equity Compensation Plan Information

The following table provides information as of December 31, 2013 regarding shares of common stock that may be issued under TripAdvisor's equity compensation plans consisting of the 2011 Plan and the Non-Employee Director Deferred Compensation Plan.

<u>Plan category</u>	<u>Equity Compensation Plan Information</u>		
	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted Average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders:	10,606,163(1)	40.18(2)	18,085,169
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
Total	10,606,163	—	18,085,169

- (1) Includes 9,469,951 shares of common stock issuable upon the exercise of outstanding options and 1,136,212 shares of common stock issuable upon the vesting of RSUs.
- (2) Since RSUs do not have any exercise price, such units are not included in the weighted average exercise price calculation.

DIRECTOR COMPENSATION

Overview

The Board of Directors sets non-employee director compensation, which is designed to provide competitive compensation necessary to attract and retain high quality non-employee directors and to encourage ownership of TripAdvisor common stock to further align directors' interests with those of our stockholders. Each non-employee director of TripAdvisor is entitled to receive the following compensation:

- an annual cash retainer of \$50,000, paid in equal quarterly installments;
- an RSU award with a value of \$150,000 (based on the closing price of TripAdvisor's common stock on the NASDAQ Stock Market on the date of grant), upon such director's initial election to office and on December 15th of each year, subject to vesting in three equal installments commencing on the first anniversary of the grant date and, in the event of a Change in Control (as defined in the 2011 Plan), full acceleration of vesting;
- an annual cash retainer of \$20,000 for each member of the Audit Committee (including the Chairman) and \$15,000 for each member of the Compensation Committees (including the Chairperson); and
- an additional annual cash retainer of \$10,000 for each of the Chairman of the Audit Committee and the Chairperson of the Compensation Committees.

We also pay reasonable travel and accommodation expenses of the non-employee directors in connection with their participation in meetings of the Board of Directors.

TripAdvisor employees do not receive compensation for services as directors. Accordingly, Mr. Kaufer does not receive any compensation for his service as a director.

Non-Employee Director Deferred Compensation Plan

Under TripAdvisor's Non-Employee Director Deferred Compensation Plan, the non-employee directors may defer all or a portion of their directors' fees. Eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units representing the number of shares of TripAdvisor common stock that could have been purchased on the date such fees would otherwise be payable or (ii) credited to a cash fund. If any dividends are paid on TripAdvisor common stock, dividend equivalents will be credited on the share units. The cash fund will be credited with deemed interest at an annual rate equal to the average "bank prime loan" rate for such year identified in the U.S. Federal Reserve Statistical Release. Upon termination of service as a director of TripAdvisor, a director will receive (1) with respect to share units, such number of shares of TripAdvisor common stock as the share units represent and (2) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five installments, as elected by the eligible director at the time of the deferral election.

2013 Non-Employee Director Compensation Table

Effective February 12, 2013, each of Messrs. Fitzgerald and Zeisser resigned from the Board of Directors. In 2013, neither Mr. Fitzgerald nor Mr. Zeisser received any compensation for their service on the Board of Directors. The following table shows the compensation information for the other non-employee directors of TripAdvisor for the year ended December 31, 2013:

<u>Name</u>	<u>Fees Earned or Paid in Cash \$(1)</u>	<u>Stock Awards \$(2)(3)</u>	<u>Total (\$)</u>
Barry Diller(4)	15,556	—	15,556
Victor Kaufman(5)	5,197	—	5,197
Dara Khosrowshahi(6)	5,197	—	5,197
Gregory B. Maffei(7)	57,331	299,972	357,303
Jonathan F. Miller(8)	70,000	149,983	219,983
Dipchand (Deep) Nishar(9)	15,934	299,920	315,854
Jeremy Philips(10)	78,626	149,983	228,609
Spencer M. Rascoff(11)	22,308	299,920	322,228
Christopher W. Shean(12)	44,101	299,972	344,073
Sukhinder Singh Cassidy(13)	75,000	149,983	224,983
Robert S. Wiesenthal(11)	80,000	149,983	229,983

- (1) The amounts reported in this column represent the annual cash retainer amounts for services in 2013.
- (2) The amounts reported in this column represent the aggregate grant date fair value of the awards computed in accordance with ASC 718. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the non-employee directors from their awards. Stock awards consist of RSUs, the grant date fair value of which was calculated using the closing price of TripAdvisor common stock on NASDAQ on the grant date.
- (3) On December 15, 2013, each of the non-employee directors listed in the table above received an RSU award covering 1,843 shares of TripAdvisor common stock with a grant date fair value of \$149,983.
- (4) On April 23, 2013, Mr. Diller resigned as a member of the Board of Directors.
- (5) On February 7, 2013, Mr. Kaufman resigned as a member of the Board of Directors.
- (6) On February 7, 2013, Mr. Khosrowshahi resigned as a member of the Board of Directors.
- (7) On February 12, 2013, Mr. Maffei was elected to the Board of Directors and received an RSU covering 3,377 shares of TripAdvisor common stock with a grant date fair value of \$149,989. Mr. Maffei is a member of the Compensation Committee.
- (8) Mr. Miller is a member of the Audit Committee.
- (9) On September 5, 2013, Mr. Nishar was elected to the Board and received an RSU covering 2,008 shares of TripAdvisor common stock with a grant date fair value of \$149,937.
- (10) Mr. Philips served as member of the Audit Committee until September 2013; he also served as a member of the Compensation Committee throughout 2013.
- (11) On September 5, 2013, Mr. Rascoff was elected to the Board and received an RSU covering 2,008 shares of TripAdvisor common stock with a grant date fair value of \$149,937. Mr. Rascoff is a member of the Audit Committee.
- (12) On February 12, 2013, Mr. Shean was elected to the Board and received an RSU covering 3,377 shares of TripAdvisor common stock with a grant date fair value of \$149,989.
- (13) Ms. Singh Cassidy is the Chairperson of the Compensation Committee and the Section 16 Committee.
- (14) Mr. Wiesenthal is the Chairman of the Audit Committee.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial Ownership Table

The following table presents information as of April 21, 2014 relating to the beneficial ownership of TripAdvisor's capital stock by (i) each person or entity known to TripAdvisor to own beneficially more than 5% of the outstanding shares of TripAdvisor's common stock or Class B common stock, (ii) each director and director nominee of TripAdvisor, (iii) the named executive officers and (iv) our executive officers and directors, as a group. In each case, except as otherwise indicated in the footnotes to the table, the shares are owned directly by the named owners, with sole voting and dispositive power. Unless otherwise indicated, beneficial owners listed in the table may be contacted at TripAdvisor's corporate headquarters at 141 Needham Street, Newton, Massachusetts 02464.

Shares of TripAdvisor Class B common stock may, at the option of the holder, be converted on a one-for-one basis into shares of TripAdvisor common stock; therefore, the common stock column below includes shares of Class B common stock held by each such listed person, entity or group, and the beneficial ownership percentage of each such listed person assumes the conversion of all Class B common stock into common stock. For each listed person, entity or group, the number of shares of TripAdvisor common stock and Class B common stock and the percentage of each such class listed also include shares of common stock and Class B common stock that may be acquired by such person, entity or group on the conversion or exercise of equity securities, such as stock options, which can be converted or exercised, and RSUs that have or will have vested within 60 days of April 21, 2014, but do not assume the conversion or exercise of any equity securities (other than the conversion of the Class B common stock) owned by any other person, entity or group.

The percentage of votes for all classes of TripAdvisor's capital stock is based on one vote for each share of common stock and ten votes for each share of Class B common stock. There were 129,852,778 shares of common stock and 12,799,999 shares of Class B common stock outstanding on April 21, 2014.

Beneficial Owner	Common Stock		Class B Common Stock		Percent (%) of Votes (All Classes)
	Shares	%	Shares	%	
Liberty Interactive Corporation 12300 Liberty Boulevard Englewood, CO 80112	30,959,751(1)	21.7	12,799,999(1)	100	56.7
Fidelity Management & Research Company 245 Summer Street Boston, MA 02210	15,224,732(2)	10.7	0	0	5.9
Baillie Gifford & Co Calton Square 1 Greenside Row Edinburgh EH1 3AN Scotland, UK	8,301,813(3)	5.8	0	0	3.2
The Vanguard Group 100 Vanguard Blvd Malvern, PA 19355	7,392,820(4)	5.2	0	0	2.9
Gregory B. Maffei	3,064(5)	*	0	0	*
Stephen Kaufer	720,498(6)	*	0	0	*
Jonathan F. Miller	4,814	*	0	0	*
Dipchand (Deep) Nishar	0	*	0	0	*
Jeremy Philips	4,814	*	0	0	*
Spencer M. Rascoff	0	*	0	0	*
Christopher W. Shean	1,126	*	0	0	*
Sukhinder Singh Cassidy	4,814	*	0	0	*
Robert S. Wiesenthal	4,814	*	0	0	*
Julie M.B. Bradley	86,430(7)	*	0	0	*
Seth J. Kalvert	57,332(8)	*	0	0	*
All executive officers, directors and director nominees as a group (11 persons)	887,706(9)	*	0	0	*

* The percentage of shares beneficially owned does not exceed 1% of the class.

- (1) Based on information contained in a Schedule 13D/A filed with the SEC on October 16, 2013 by Liberty and TripAdvisor's records. Consists of 18,159,752 shares of Common Stock and 12,799,999 shares of Class B Common Stock owned by Liberty. Excludes shares beneficially owned by the executive officers and directors of Liberty, as to which Liberty disclaims beneficial ownership.
- (2) Based solely on information contained in a Schedule 13G/A filed with the SEC on February 14, 2014 by FMR LLC, the parent holding company of Fidelity Management & Research Company ("Fidelity"). According to the Schedule 13G/A, Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the Fidelity funds ("Funds") each has sole power to dispose of the 15,224,732 shares owned by the Funds. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.
- (3) Based solely on information contained in a Schedule 13G filed with the SEC on January 22, 2014 by Ballie Gifford & Co. ("BG&C"). According to the Schedule 13G, BG&C beneficially owns 8,301,813 shares but only has sole voting power with respect to 5,827,275 shares.
- (4) Based solely on information contained in a Schedule 13G filed with the SEC on February 12, 2014 by The Vanguard Group ("Vanguard"). According to the Schedule 13G, Vanguard beneficially owns 7,392,820 shares but only has sole voting power with respect to 186,350 shares and sole dispositive power with respect to 7,222,370 shares.
- (5) Includes 1,938 shares of common stock that are held by the Maffei Foundation.
- (6) Includes options to purchase 450,614 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 21, 2014.
- (7) Includes options to purchase 70,776 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 21, 2014.
- (8) Includes options to purchase 53,546 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 21, 2014.
- (9) Includes options to purchase 574,936 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 21, 2014.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, TripAdvisor officers and directors and persons who beneficially own more than 10% of a registered class of TripAdvisor's equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Such persons are required by the rules of the SEC to furnish TripAdvisor with copies of all such forms they file. Based solely on a review of the copies of such forms furnished to TripAdvisor and/or written representations that no additional forms were required, TripAdvisor believes that all of its directors and officers complied with all the reporting requirements applicable to them with respect to transactions during 2013.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval or Ratification of Related Person Transactions

Prior to the completion of the Spin-Off, we were subject to the policies and procedures of Expedia regarding the review and approval of related person transactions. In general, we will enter into or ratify a “related person transaction” only when it has been approved by the Audit Committee of the Board of Directors, in accordance with its written charter. Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. Related person transactions are transactions that meet the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person or entity has a direct or indirect material interest). When a potential related person transaction is identified, management presents it to the Audit Committee to determine whether to approve or ratify. When determining whether to approve, ratify, disapprove or reject any related person transaction, the Audit Committee considers all relevant factors, including the extent of the related person’s interest in the transaction, whether the terms are commercially reasonable and whether the related person transaction is consistent with the best interests of TripAdvisor and our stockholders.

The legal and accounting departments work with business units throughout TripAdvisor to identify potential related person transactions prior to execution. In addition, we take the following steps with regard to related person transactions:

- On an annual basis, each director, director nominee and executive officer of TripAdvisor completes a Director and Officer Questionnaire that requires disclosure of any transaction, arrangement or relationship with us during the last fiscal year in which the director or executive officer, or any member of his or her immediate family, had a direct or indirect material interest.
- Each director, director nominee and executive officer is expected to promptly notify our legal department of any direct or indirect interest that such person or an immediate family member of such person had, has or may have in a transaction in which we participate.
- TripAdvisor monitors its accounts payable, accounts receivable and other databases to identify any other potential related person transactions that may require disclosure.
- Any reported transaction that our legal department determines may qualify as a related person transaction is referred to the Audit Committee.

If any related person transaction is not approved, the Audit Committee may take such action as it may deem necessary or desirable in the best interests of TripAdvisor and our stockholders.

Related Person Transactions

Relationship between Expedia and TripAdvisor

Upon consummation of the Spin-Off, Expedia was considered a related party under U.S. generally accepted accounting principles, or GAAP, based on a number of factors, including, among others, common ownership of our shares and those of Expedia. A number of those factors no longer exist and, as a result, we no longer consider Expedia a related party. Due to the importance of our relationship with Expedia, however, for purposes of our financial statements for the year ended December 31, 2013, we have continued to list separately in our consolidated and combined financial statements revenue and receivables from Expedia.

As described in more detail in our financial statements, revenue from Expedia was \$217.4 million, \$203.8 million and \$211.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, which

primarily consists of click-based advertising and other advertising services provided to Expedia and its subsidiaries and is recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Revenue represented 23%, 27% and 33% of our total revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Other operating expenses which were included primarily within selling and marketing expense were \$6.0 million, \$6.4 million, and \$4.3 million for the years ended December 31, 2013, 2012 and 2011, respectively, primarily consisted of marketing expense for exit windows. The receivable balances with Expedia reflected in our consolidated balance sheets as of December 31, 2013 and December 31, 2012 were \$15.8 million and \$24.0 million, respectively.

Prior to the Spin-Off, our operating expenses included a shared services fee, which was \$9.2 million for the year ended December 31, 2011, which was comprised of allocations from Expedia for accounting, legal, tax, corporate development, financial reporting, treasury and real estate functions and included an allocation of employee compensation within these functions. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. It was not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity. In the opinion of our management, the allocation method was reasonable.

We transferred \$405.5 million in cash to Expedia in the form of a dividend, prior to completion of the Spin-Off. Per the Separation Agreement we were to retain \$165 million in cash on hand immediately following the Spin-off and the agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained. The completion of this reconciliation resulted in us recording an additional receivable from Expedia of \$7 million at December 31, 2011, which was subsequently received by us during 2012.

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia entered into various agreements, including, among others, the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and Transition Services Agreement, and commercial agreements. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and the Transition Services Agreement are incorporated by reference in our Annual Report on Form 10-K as Exhibits 2.1, 10.2, 10.3 and 10.4. TripAdvisor has satisfied its obligations under the Separation Agreement, the Employee Matters Agreement and the Transition Services Agreement. TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement.

Relationship between Liberty and TripAdvisor

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates (the "Stock Purchase"). As of the record date, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.0% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.7% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.7% of our voting power. As a result, Liberty is effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote).

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

TripAdvisor files annual, quarterly and current reports, proxy statements and other information with the SEC. TripAdvisor's filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document that TripAdvisor files with the SEC at its public reference room in Washington, D.C. located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You can also obtain copies of those documents at prescribed rates by writing to the Public Reference Section of the SEC at that address. TripAdvisor's SEC filings are also available to the public from commercial retrieval services.

The SEC allows TripAdvisor to "incorporate by reference" the information that TripAdvisor's files with the SEC, which means that TripAdvisor can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement. TripAdvisor incorporates by reference its Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 11, 2014.

ANNUAL REPORTS

TripAdvisor's Annual Report to Stockholders for 2014, which includes our Annual Report on Form 10-K for the year ended December 31, 2013 (not including exhibits), is available at <http://ir.tripadvisor.com/annual-proxy.cfm>. **Upon written request to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary, TripAdvisor will provide, without charge, an additional copy of TripAdvisor's 2013 Annual Report on Form 10-K.** TripAdvisor will furnish any exhibit contained in the Annual Report on Form 10-K upon payment of a reasonable fee. Stockholders may also review a copy of the Annual Report on Form 10-K (including exhibits) by accessing TripAdvisor's corporate website at www.tripadvisor.com or the SEC's website at www.sec.gov.

PROPOSALS BY STOCKHOLDERS FOR PRESENTATION AT THE 2015 ANNUAL MEETING

Stockholders who wish to have a proposal considered for inclusion in TripAdvisor's proxy materials for presentation at the 2015 Annual Meeting of Stockholders must ensure that their proposal is received by TripAdvisor no later than December 26, 2014 at its principal executive offices at 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary. The proposal must be made in accordance with the provisions of Rule 14a-8 of the Exchange Act. Stockholders who intend to present a proposal at the 2015 Annual Meeting of Stockholders without inclusion of the proposal in TripAdvisor's proxy materials are required to provide notice of such proposal to TripAdvisor at its principal executive offices no later than March 11, 2015. TripAdvisor reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

If you share an address with any of our other stockholders, your household might receive only one copy of the Proxy Statement, Annual Report and Notice, as applicable. To request individual copies of any of these materials for each stockholder in your household, please contact TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary, or call us at 617-670-6300. We will deliver copies of the Proxy Statement, Annual Report and/or Notice promptly following your request. To ask that only one copy of any of these materials be mailed to your household, please contact your broker.

Newton, Massachusetts
April 30, 2014

Board of Directors

Gregory B. Maffei
Chairman

Stephen Kaufer
Director, President and Chief
Executive Officer

Jonathan F. Miller
Director

Dipchand (Deep) Nishar
Director

Jeremy Philips
Director

Christopher W. Shean
Director

Sukhinder Singh Cassidy
Director

Robert S. Wiesenthal
Director

Spencer M. Rascoff
Director

Executive Officers

Stephen Kaufer
President and
Chief Executive Officer

Julie M.B. Bradley
Chief Financial Officer, Chief
Accounting Officer and
Treasurer

Seth Kalvert
Senior Vice President,
General Counsel and
Secretary

Leadership

Bill Bailey
Vice President,
Corporate and Business
Development

Marc Charron
President,
TripAdvisor for Business

Andy Gelfond
Senior Vice President,
Technology

Dermot Halpin
President,
Vacation Rentals

Robin Ingle
Senior Vice President,
Advertising Sales

Adam Medros
Senior Vice President, Global
Product

Barbara Messing
Chief Marketing Officer

Bryan Saltzburg
General Manager,
New Initiatives

Corporate and Stockholder Information

Headquarters

TripAdvisor, Inc.
141 Needham Street
Newton, Massachusetts 02464

Exchange Listing and Ticker Symbol

NASDAQ Global Select Market, "TRIP"

Annual Meeting

June 12, 2014, 12:30 p.m. Eastern Time
Goodwin Procter LLP
Exchange Place
53 State Street
Boston, Massachusetts 02109

Publications and Reports

A variety of stockholder publications and reports, including TripAdvisor's Annual Report on Form 10-K, proxy statement, financial news releases and a variety of legal filings are available at <http://ir.tripadvisor.com>. Stockholders can also request a copy of the Annual Report and proxy statement by contacting the Secretary of TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464.

Independent Registered Public Accounting Firm

KPMG LLP
Two Financial Center
60 South Street
Boston, Massachusetts 02110

Transfer Agent and Registrar

Computershare
P.O. Box 358015
Pittsburgh, PA 15252

Electronic Delivery

Most stockholders can elect to receive e-mails in the future with links to the Annual Report, proxy statement and voting web site. Registered stockholders can sign up for electronic delivery at www.bnymellon.com/shareowner/equityaccess. Street name stockholders should contact their bank or broker to inquire about electronic delivery.

