

## **Priceline.com Reports 3rd Quarter 2002 Results; Hotel Booked Offers Climb 37%; Cost-Reduction Initiatives Announced**

NORWALK, Conn.--(BUSINESS WIRE)--Nov. 5, 2002--Priceline.com® (Nasdaq: PCLN) today reported a 3rd quarter 2002 loss of \$24.3 million, or \$0.11 per share, which includes non-cash charges of \$24.2 million relating to impairment of the Company's investments in offshore licensees.

On a pro forma basis, the Company reported net income of \$400,000 (\$0.00 per share) on revenues of \$240 million. The Company's pro forma EPS results were in line with guidance provided in July.

By comparison, in the 3rd quarter 2001 priceline.com had a GAAP net loss of \$3.6 million, or \$0.02 per share, on revenue of \$302 million, and pro forma EPS of \$0.03. For the nine months ended September 30, 2002, priceline.com had a GAAP net loss of \$0.06 per share and pro forma EPS of \$0.05, compared to a GAAP net loss of \$0.07 per share and pro forma EPS of \$0.06 for the first nine months of 2001.

Priceline.com reported pro forma EBITDA for the 3rd quarter 2002 of \$4.5 million, compared to \$8.4 million in the 3rd quarter 2001. Pro forma net income and pro forma EBITDA are stated before restructuring, special and severance charges, impairment of investments in offshore licensees, stock-based compensation, option payroll tax and preferred stock dividend. (The attached financial and statistical supplement reconciles pro forma financial information with the Company's financial results under GAAP). EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

Gross profit for the 3rd quarter 2002 was \$37.7 million, compared to \$50.4 million in the 3rd quarter 2001. Priceline.com ended the quarter with \$152.5 million in cash and short-term investments. Quarter-over-quarter cash reductions resulted primarily from the repurchase of 5.4 million shares of priceline.com common stock in the quarter and changes in working capital associated with reduced sales of airline tickets. Priceline.com has no outstanding debt.

"The 3rd quarter 2002 was another strong quarter for priceline.com's hotel service," said priceline.com President and Co-CEO Jeffery H. Boyd. Priceline.com's hotel booked offers grew 37 percent year over year, with sales of more than 1 million room nights. Priceline.com's customer base grew to 15.4 million and repeat business for the quarter came in at a record 67.4 percent. (Repeat business is defined as the number of total unique purchase offers coming from repeat customers divided by the number of total unique purchase offers).

Priceline.com's 3rd quarter 2002 results reflect continued difficult conditions in the airline industry, which has been affected by heavy discounting of retail fares and weak results in September attributable, in part, to lower levels of travel around the anniversary of September 11th. "Amid increasing evidence that the growth of published discounting on the Internet is doing more harm (by reducing yields) than good (in the form of lower distribution costs), we continue to believe that our Name Your Own Price(SM) model provides the best non-dilutive model for airlines to move unsold inventory and increase load factors and revenues," said Mr. Boyd. "However, given the protracted nature of the airline industry's difficulties, we will continue to focus our resources on our hotel and vacation package businesses and on making discounted retail fares available to our customers through Lowestfare.com®."

In conjunction with that focus, priceline.com said it will reduce operating expenses through a repositioning of its non-travel businesses and a reduction in headcount and other expenses. Priceline.com's car service will continue to provide new- and used-car buying information and guaranteed quote requests through Autobytel and other marketing partners. Priceline.com's telecommunications service will continue to offer long distance calling plans, but will no longer sell Name Your Own price calling minutes. PricelineMortgage's current product lineup will continue to be offered on the Company's Web site.

"These steps are designed to reduce our operating expenses and allow for a greater focus of our resources on our key travel businesses," said Mr. Boyd. As part of this business re-focusing, priceline.com said it will reduce its workforce by approximately 65 positions.

Also today, priceline.com reported progress on its travel initiatives.

- **Hotels.** Priceline.com's hotel service benefited from the launch in August of a revised Web path and a Best-Price guarantee. Hotel supplier participation grew to over 8,500 hotels in the U.S., Europe, Asia, Canada, Mexico and the Caribbean. With industry-leading pricing and the continued growth in online hotel bookings, priceline.com is well-positioned to benefit from more aggressive advertising and promotion of this product.
- **Retail Offerings.** As disclosed at the end of the previous quarter, priceline.com is in the process of offering customers retail travel products through its own site and through Lowestfare.com. (Priceline.com acquired the Lowestfare.com domain name and trademarks earlier this year). The first phase of retail air and hotel product offerings on Lowestfare.com is expected to be up and running in the next few weeks.
- **Progress** also has been made on the integration of Lowestfare.com retail offerings on priceline.com, so that customers who aren't successful with their priceline.com bids are presented with the opportunity to purchase a retail product. A retail hotel room offering is currently available on a test basis and a retail airline ticket offering is scheduled for launch before year-end.
- **Vacation Packages.** Today, priceline.com and Lowestfare.com announced a marketing alliance with GOGO Worldwide Vacations. GOGO is one of the oldest and biggest leisure travel wholesalers to the travel agent market. GOGO offers the largest vacation package lineup in the industry - over 200 destinations on four continents, including popular spots like the Caribbean, Mexico, Europe, Central America, the South Pacific, the Bahamas, Las Vegas and Hawaii. Starting later this quarter, Lowestfare.com customers will be able to select from GOGO's lineup of money-saving packages. Integration of GOGO packages within priceline.com is scheduled for implementation early next year. Priceline.com also will continue to expand its own Name Your Own Price vacation package offerings.

"We believe that priceline.com already has the two most important ingredients in place to make our travel growth strategy a success," said priceline.com Chairman and Co-CEO Richard S. Braddock. "One is our industry leading travel brand and the other is our customer franchise, which provides a steady average stream of 4 million visitors who come to priceline.com each month looking to make travel purchases."

Looking forward, Mr. Braddock said, "Revenue in October was approximately \$72.5 million, a slight improvement from September, but we expect seasonal decreases in revenue during November and December. Also, the staff reductions announced today will result in 4th quarter restructuring and other charges, ranging from \$4 million to \$5 million. We expect pro forma EPS in the 4th quarter will range from a loss of \$0.02 per share to break-even. Looking forward to 2003, we expect to return to profitability by the second quarter of 2003 and we expect 2003 full-year pro forma EPS to exceed 2002 pro forma EPS. We will give more specific guidance when we announce full-year 2002 results."

#### About Priceline.com

Priceline.com offers products for sale in four categories: a travel service that offers leisure airline tickets, hotel rooms, rental cars, vacation packages and cruises; a personal finance service that offers home mortgages, refinancing and home equity loans through an independent licensee; an automotive service that offers new cars; and a telecommunications service that offers long distance calling services. Priceline.com also owns the Internet domain names and trademarks of LowestFare.com, another Web-based travel site. Priceline.com licenses its business model to independent licensees, including pricelinemortgage and certain international licensees.

#### Information About Forward-Looking Statements

This press release may contain forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements. Expressions of future goals and similar expressions including, without limitation, "may," "will," "should," "could," "expects," "does not currently expect," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "targets," or "continue," reflecting something other than historical fact are intended to identify forward-looking statements. The following factors, among others, could cause the Company's actual results to differ materially from those described in the forward-looking statements: adverse changes in general market conditions for leisure and other travel products as the result of, among other things, terrorist attacks or hostilities; adverse changes in the Company's relationships with airlines and other product and service providers including, without limitation, the withdrawal of suppliers from the priceline.com system; the effects of increased competition; systems-related failures and/or security breaches; the Company's ability to protect its intellectual property rights; losses by the Company and its licensees; final adjustments made in closing the quarter; legal and regulatory risks and the ability to attract and retain qualified personnel. For a detailed discussion of these and other factors that could cause the Company's actual results to differ materially from those described in the forward-looking statements, please refer to the Company's most recent Form 10-Q, Form 10-K and Form 8-K filings with the Securities and Exchange Commission. Unless required by law, the Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information,

future events or otherwise.

Pro forma measures and EBITDA do not have standardized meanings and are therefore unlikely to be comparable to similar measures presented by other companies and are not meant to be a substitute for GAAP measures.

This presentation is unaudited and intended as a supplement to, and should be read in conjunction with priceline.com's audited financial statements and the notes thereto filed with the Securities and Exchange Commission on Form 10-K and quarterly financial statements filed with the Securities and Exchange Commission on Form 10-Q. Certain presentations within this presentation are not consistent with Generally Accepted Accounting Principles.

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CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, unaudited)

	September 30, 2002	December 31, 2001
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<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 66,857	\$ 99,943
Restricted cash	18,174	15,396
Short-term investments	67,478	49,269
Accounts receivable, net of allowance for doubtful accounts of \$2,581 and \$4,170 at September 30, 2002 and December 31, 2001, respectively	16,654	15,665
Prepaid expenses and other current assets	9,068	5,038
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Total current assets	178,231	185,311
Property and equipment, net	25,279	32,266
Goodwill	10,517	23,646
Other assets	9,791	20,967
	-----	-----
Total assets	\$ 223,818	\$ 262,190
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 40,972	\$ 45,941
Accrued expenses	25,861	36,240
Other current liabilities	3,495	5,115
	-----	-----
Total current liabilities	70,328	87,296
Accrued expenses	1,001	2,838
	-----	-----
Total liabilities	71,329	90,134
<b>SERIES B MANDATORILY REDEEMABLE PREFERRED STOCK</b>	13,470	25,345
<b>Stockholders' equity</b>		
Common stock	1,884	1,836
Treasury stock	(338,410)	(326,633)
Additional paid-in capital	2,033,938	2,015,849
Accumulated deficit	(1,558,458)	(1,544,341)
Accumulated other comprehensive income:		
Cumulative currency translation adjustment	65	-
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Total stockholders' equity	139,019	146,711
	-----	-----
Total liabilities and stockholders' equity	\$ 223,818	\$ 262,190
	=====	=====

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001
	-----	-----	-----	-----
Travel revenues	\$ 238,121	\$ 299,793	\$ 800,902	\$ 929,305
Other revenues	1,843	2,196	5,403	7,144
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Total revenues	239,964	301,989	806,305	936,449
Cost of travel revenues	201,949	250,952	677,432	780,427
Cost of other revenues	274	605	991	2,369
	-----	-----	-----	-----
Total costs of revenues	202,223	251,557	678,423	782,796
	-----	-----	-----	-----
Gross profit	37,741	50,432	127,882	153,653
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Operating expenses:				
Sales and marketing	20,794	30,010	66,175	93,451
General and administrative	7,459	6,069	21,883	22,950
Payroll tax on employee stock options	-	297	120	687
Stock based compensation	250	1,015	750	9,312
Systems and business development	10,138	10,160	31,191	31,164
Restructuring and special charge (reversal)	(92)	-	(1,116)	1,400
Severance charge (reversal)	-	-	(55)	5,412
	-----	-----	-----	-----
Total operating expenses	38,549	47,551	118,948	164,376
	-----	-----	-----	-----
Operating (loss) income	(808)	2,881	8,934	(10,723)
Other income/(loss):				
Loss on sale of equity investment	-	-	-	(946)
Interest income	656	2,062	2,226	5,654
Equity in net income of pricelinemortgage	394	34	1,131	34
Impairments of investments in licensees	(24,229)	-	(24,229)	-
Gain on property and equipment	164	-	164	-
Other	-	-	1	-
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Total other (loss) income	(23,015)	2,096	(20,707)	4,742
	-----	-----	-----	-----
Net (loss ) income	(23,823)	4,977	(11,773)	(5,981)
Preferred stock dividend	(490)	(8,563)	(2,344)	(8,563)

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Net loss applicable to common stockholders	\$ (24,313)	\$ (3,586)	\$ (14,117)	\$ (14,544)
	=====	=====	=====	=====
Net loss applicable to common stockholders per basic and diluted common share	\$ (0.11)	\$ (0.02)	\$ (0.06)	\$ (0.07)
	=====	=====	=====	=====
Weighted average number of basic and diluted common shares outstanding	227,273	216,132	228,151	198,921
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 SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share amounts, unaudited)

	Three Months Ended September 30, 2002		
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	Reported	Pro Forma Adjustments	Pro Forma
	-----	-----	-----
Travel revenues	\$ 238,121		\$ 238,121
Other revenues	1,843		1,843
	-----	-----	-----
Total revenues	239,964		239,964
	-----	-----	-----
Cost of travel revenues	201,949		201,949
Cost of other revenues	274		274
	-----	-----	-----
Total costs of revenues	202,223		202,223
	-----	-----	-----
Gross profit	37,741		37,741
	-----	-----	-----
Operating expenses:			
Sales and marketing	20,794		20,794
General and administrative	7,459		7,459
Payroll tax on employee stock options	-		-
Stock based compensation	250	(250) (a)	-
Systems and business development	10,138		10,138
Restructuring charge (reversal)	(92)	92 (b)	-
	-----	-----	-----
Total operating expenses	38,549	(158)	38,391
	-----	-----	-----
Operating loss	(808)	158	(650)
	-----	-----	-----
Other income/(loss):			
Interest income	656		656
Equity in net income of pricelinemortgage	394		394
Impairments of investments in licensees	(24,229)	24,229 (c)	-
Gain on property and equipment	164	(164) (d)	-
	-----	-----	-----
Total other (loss) income	(23,015)	24,065	1,050
	-----	-----	-----
Net (loss) income	(23,823)	24,223	400
Preferred stock dividend	(490)	490 (e)	-

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Net (loss) income applicable to common stockholders	\$ (24,313)	\$ 24,713	\$ 400
	=====	=====	=====
Net (loss) income applicable to common stockholders per basic common share	\$ (0.11)	\$ 0.11	\$ 0.00
	=====	=====	=====
Weighted average number of basic common shares outstanding	227,273		227,273
	=====		=====
Net (loss) income applicable to common stockholders per diluted common share	\$ (0.11)	\$ 0.11	\$ 0.00
	=====	=====	=====
Weighted average number of diluted common shares outstanding	227,273		231,507
	=====		=====

- (a) Non-cash amortization of stock based compensation expense.
- (b) Recovery of restructuring charges.
- (c) Impairment of Priceline Europe goodwill and Hutchison-Priceline investments.
- (d) Gain on sale of property and equipment.
- (e) Non-cash preferred stock dividend.

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#### Offer and Customer Activity

Unique Offers:	1Q01	2Q01	3Q01	4Q01
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New Customer Offers	891,490	1,025,041	927,338	854,082
Repeat Customer Offers	1,217,217	1,620,157	1,559,727	1,491,942
Total Unique Offers	2,108,707	2,645,198	2,487,065	2,346,024
Repeat customer offers/ Total unique offers	57.7%	61.2%	62.7%	63.6%

#### Customers

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New Customers	891,490	1,025,041	927,338	854,082
Cumulative Customers	9,886,150	10,911,191	11,838,529	12,692,611

Unique Offers:	1Q02	2Q02	3Q02	3Q02 vs. 3Q01
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New Customer Offers	874,792	964,464	825,026	-11%
Repeat Customer Offers	1,530,745	1,819,872	1,707,494	9%
Total Unique Offers	2,405,537	2,784,336	2,532,520	2%
Repeat customer offers/ Total unique offers	63.6%	65.4%	67.4%	

#### Customers

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New Customers	874,792	964,464	825,026	-11%
Cumulative Customers	13,567,403	14,531,867	15,356,893	30%

The information included above is for priceline.com only.  
 Statistics do not include priceline.com Europe Ltd.

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Air

	1Q01	2Q01	3Q01	4Q01
Tickets Sold	1,075,555	1,435,936	1,183,981	840,191
Net Unique Offers	1,392,747	1,683,661	1,445,575	1,441,620
Offers Booked	709,576	963,167	779,319	584,505
Bind Rate	50.9%	57.2%	53.9%	40.5%

	1Q02	2Q02	3Q02	3Q02 vs. 3Q01
Tickets Sold	866,643	921,201	643,659	-46%
Net Unique Offers	1,391,478	1,533,442	1,195,664	-17%
Offers Booked	580,555	619,590	441,406	-43%
Bind Rate	41.7%	40.4%	36.9%	

bind rate = offers booked/net unique offers

Air product was launched on April 6, 1998

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Hotels

	1Q01	2Q01	3Q01	4Q01
Room Nights Sold	432,884	680,604	879,922	789,638
Net Unique Offers	351,952	516,816	647,446	554,523
Offers Booked	188,278	311,121	394,807	384,463
Bind Rate	53.5%	60.2%	61.0%	69.3%

	1Q02	2Q02	3Q02	3Q02 vs. 3Q01
Room Nights Sold	909,107	1,089,586	1,144,988	30%
Net Unique Offers	629,145	812,285	931,323	44%
Offers Booked	417,306	499,065	539,899	37%
Bind Rate	66.3%	61.4%	58.0%	

bind rate = offers booked/net unique offers

Hotel product was launched on October 28, 1998

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Rental Cars

	1Q01	2Q01	3Q01	4Q01
Days Sold	607,336	922,545	895,601	720,213
Net Unique Offers	229,581	325,235	313,389	261,069
Offers Booked	105,970	162,053	160,603	135,781
Bind Rate	46.2%	49.8%	51.2%	52.0%

	1Q02	2Q02	3Q02	3Q02 vs. 3Q01
Days Sold	738,021	793,616	741,167	-17%
Net Unique Offers	303,611	335,059	302,554	-3%
Offers Booked	139,776	148,483	143,593	-11%
Bind Rate	46.0%	44.3%	47.5%	

bind rate = offers booked/net unique offers

Rental Car product was launched on February 3, 2000

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