LIBERTY TRIPADVISOR HOLDINGS, INC.

2016 ANNUAL REPORT

LIBERTY
TRIPADVISOR HOLDINGS

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Certain statements in this Annual Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the performance of our current investments; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements in our "Letter to Shareholders" and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and the ability of our company and our subsidiaries to adapt to changes in demand;
- competitor responses to our products and services;
- the levels and quality of online traffic to our businesses' websites and the ability of our subsidiaries to convert visitors into consumers or contributors;
- the expansion of social integration and member acquisition efforts with social media by our subsidiaries;
- the impact of changes in search engine algorithms and dynamics or search engine disintermediation;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the business models of our subsidiaries;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of "Brexit" and those which result in declines or disruptions in the travel industry;
- consumer spending levels, including the availability and amount of individual consumer debt;
- costs related to the maintenance and enhancement of brand awareness by our subsidiaries;
- advertising spending levels;
- rapid technological changes;
- the regulatory and competitive environment of the industries in which our subsidiaries operate;
- our failure, and the failure of our subsidiaries, to protect the security of personal information about customers, subjecting each of us to potentially costly government enforcement actions or private litigation and reputational damage;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world; and
- fluctuations in foreign currency exchange rates.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind any risk factors identified and other cautionary statements contained in our publicly filed documents, including our most recent Forms 10-K and 10-Q. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning TripAdvisor, Inc., a public company in which we have a controlling interest that files reports and other information with the SEC in accordance with the Securities Exchange Act of 1934, as amended. Information contained in this Annual Report concerning this company has been derived from the reports and other information filed by it with the SEC. If you would like further information about this company, the reports and other information it files with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

2016 continued as a transition year for TripAdvisor, as its focus on the long-term and its investments in commerce and user experience pressured its financial results. The scope of its transition is not trivial and created volatility in the public market, which negatively impacted the public market valuation of TripAdvisor and therefore Liberty TripAdvisor. However, we remain supportive of TripAdvisor's vision and strategy, and impressed with the expertise, skills and focus of Steve Kaufer.

TripAdvisor

The "North Star" for TripAdvisor continues to be creating the best user experience in travel. As the category leader in planning and researching the best places to travel, the traffic to the site continues to impress, reaching nearly 390 million monthly unique users during the peak summer travel season in 2016. Further, its content is unrivaled, with 500 million reviews and opinions. comScore data studies suggest that TripAdvisor influences more than 40% of global online hotel reservations.

TripAdvisor has a unique business in an enviable position, so what's happening?

Significant headwinds continued in three forms. First, the transition from desktop to mobile persisted as it has for many online businesses. Second, search engines continue to move towards paid inclusion and away from free search. And third, low-cost entrants willing to sacrifice R&D budget for marketing spend and exist on thin or no margins make it a fierce fight for "paid" traffic and transactions.

In light of these headwinds, TripAdvisor rightly moved to capture more purchase transactions with the implementation of hotel instant book in 2015, which continued into 2016. With the benefit of hindsight, perhaps TripAdvisor was too optimistic about changing consumer habits so rapidly and getting them to come to the site when ready to book, not just when they look. Perhaps the rollout could have been more closely matched with inventory and product launches. These challenges were compounded as some competitors continue to spend hundreds of millions of dollars advertising their hotel price shopping message.

So what is TripAdvisor doing about this?

First, the company continues to expand the inventory of hotels on instant book and reached more than 560,000 by year-end 2016, and recently announced global partnerships with Expedia and Hilton. Second, there is continued improvement to the product with the introduction of a new hotel sorting algorithm and cleaner price-shopping display. TripAdvisor aims to make it as easy as possible to book. Third, the company is evaluating a multi-year brand marketing investment which could help establish TripAdvisor as the place to book and bring these users back to TripAdvisor when they are ready to book their next trip, plugging the monetization leak.

TripAdvisor now has a comprehensive hotel shopping experience, a broadened platform for partners and the business is well positioned to capture more of the financial value of the hotel transactions it influences. Looking ahead, we see a multi-billion dollar financial opportunity in the Hotel segment as users increasingly associate TripAdvisor as the place to go to research, price shop and book hotels.

Recent trends have been positive as click-based and transaction revenue growth improved in the fourth quarter of 2016 and again in January. Results should be further aided by lapping the instant book rollout in international markets in 2017.

TripAdvisor also continues to grow attractive monetization opportunities in the Non-Hotel segment — Attractions, Restaurants and Vacation Rentals. These are fast-growing assets whose earnings power is being masked today by significant strategic growth investments. Non-Hotel revenue grew 27% in 2016 and we are optimistic about the prospects for 2017. Since 2014, TripAdvisor has been making aggressive organic and inorganic investments to build a great user experience and to grow bookable supply. We view this segment as a hidden gem, and are confident about its prospects given comparative businesses that operate at attractive margins.

Looking Ahead

We believe that the alignment of supply, product and marketing in 2017 is the right focus as is prioritizing revenue over profit growth. TripAdvisor stands alone in the unique experience and value it delivers to travelers, and now is the time to build on its advantages and gain market share.

We look forward to seeing many of you at this year's annual investor meeting, which will take place on November 16th at the Times Center at 242 West 41st Street in New York City.

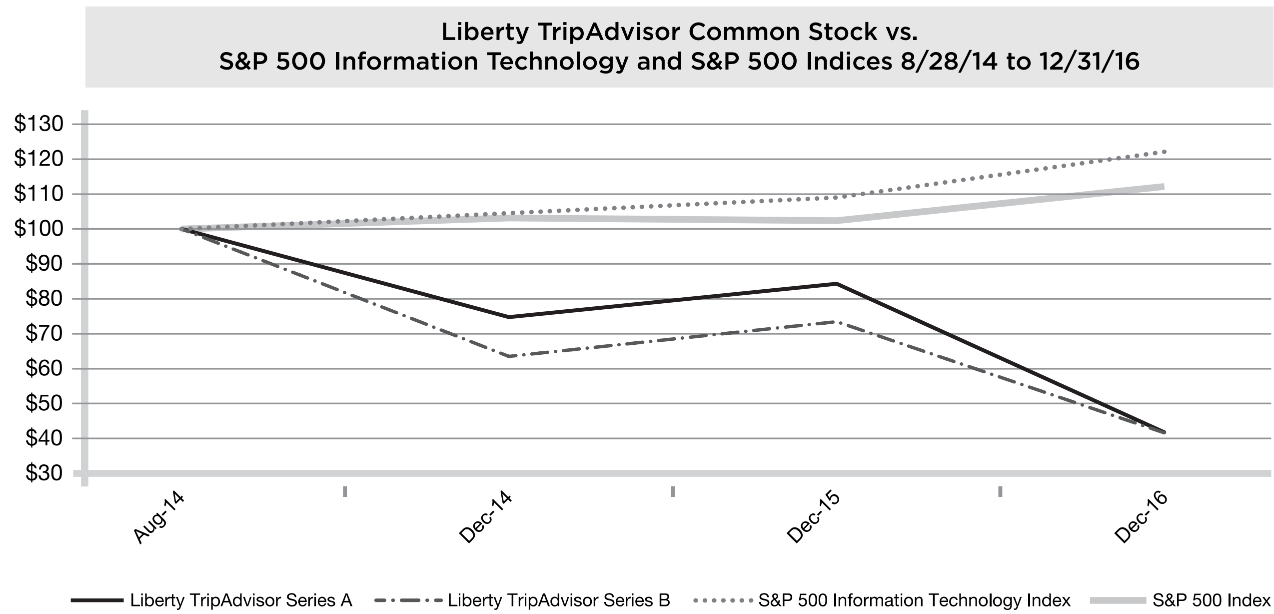
We appreciate your ongoing support.

Very truly yours,

Gregory B. Maffei
Chairman of the Board
President & Chief Executive Officer

STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on an investment in Liberty TripAdvisor Series A and Series B common stock from August 28, 2014 (the day Liberty TripAdvisor began trading "regular-way" following its spin-off from Liberty Interactive Corporation) through December 31, 2016, in comparison to the S&P 500 Information Technology Index and S&P 500 Index.



	8/28/2014	12/31/2014	12/31/2015	12/31/2016
Liberty TripAdvisor Series A	$100.00	$74.72	$84.28	$41.81
Liberty TripAdvisor Series B	$100.00	$63.48	$73.48	$41.67
S&P 500 Information Technology Index	$100.00	$104.53	$108.99	$122.06
S&P 500 Index	$100.00	$103.11	$102.36	$112.12

Note: Trading data for the Series B shares is limited as they are thinly traded.

Market for Registrant's Common Equity and Related Stockholder Matters of Equity Securities.

Market Information

Our Series A and Series B common stock have been outstanding since August 27, 2014. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2016 and 2015, for the periods they were outstanding.

	Liberty TripAdvisor Holdings, Inc.			
	Series A		Series B	
	High	Low	High	Low
2015				
First quarter	$ 34.04	23.46	36.92	23.96
Second quarter	$ 33.69	27.29	37.68	31.24
Third quarter	$ 35.10	22.09	35.17	23.99
Fourth quarter	$ 32.01	22.20	31.84	24.84
2016				
First quarter	$ 29.86	17.23	30.86	19.92
Second quarter	$ 24.64	19.86	24.95	19.81
Third quarter	$ 24.18	20.34	25.12	21.70
Fourth quarter	$ 22.74	14.83	21.80	16.65

Holders

As of January 31, 2017, there were approximately 1,017 and 59 record holders of our Series A and Series B common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2017 Annual Meeting of stockholders.

Purchases of Equity Securities by the Issuer

2,248 shares of our Series A common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended December 31, 2016.

Selected Financial Data.

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. Certain prior period amounts have been reclassified for comparability with current year presentation. The following data should be read in conjunction with our consolidated financial statements.

		December 31,				
		2016	2015	2014	2013	2012
Summary Balance Sheet Data:		amounts in millions				
Cash and cash equivalents	$	654	644	509	354	369
Investments in available for sale securities and other cost investments	$	16	37	31	188	99
Intangible assets not subject to amortization	$	5,476	5,492	5,510	5,292	5,267
Intangible assets subject to amortization, net	$	487	625	841	908	1,158
Total assets	$	7,282	7,285	7,366	7,087	7,205
Long-term debt	$	555	620	662	298	343
Deferred income tax liabilities	$	659	719	808	853	972
Total stockholders' equity	$	803	808	897	1,208	1,279
Noncontrolling interest	$	4,621	4,628	4,450	4,373	4,340

		Years ended December 31,				
		2016	2015	2014	2013	2012 (1)
Summary Statement of Operations Data:		amounts in millions, except per share amounts				
Revenue	$	1,532	1,565	1,329	1,034	165
Operating income (loss)	$	23	15	68	(17)	(54)
Interest Expense	$	(25)	(28)	(13)	(12)	(1)
Realized and unrealized gains (losses) on financial instruments, net	$	53	2	1	—	—
Other, net	$	(5)	15	(12)	1	1,121
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	$	21	(40)	(22)	(7)	983
Basic net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. stockholders per common share:						
Series A and Series B common stock (2)	$	0.28	(0.53)	(0.30)	(0.10)	13.35
Diluted earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. stockholders per common share:						
Series A and Series B common stock (2)	$	0.28	(0.53)	(0.30)	(0.10)	13.35

(1) During May 2012, TripCo sold approximately 8.5 million shares of TripAdvisor for cash proceeds of $338 million. The sale resulted in a $288 million gain recorded in other, net, based on the average cost of those shares, in the statements of operations. On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor (an additional 4% equity ownership interest), for $300 million, along with the right to control the vote of the shares of TripAdvisor's common stock and class B common stock we own. Following the transaction we owned approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. As we now control TripAdvisor, we applied the applicable purchase accounting guidance and recorded a gain on the transaction of $800 million on our ownership interest held prior to the transaction, recognized in the other, net line in the consolidated statements of operations.

(2) Liberty issued 73,685,924 common shares, which is the aggregate number of shares of Series A and Series B common stock outstanding upon the completion of the TripCo Spin-Off on August 27, 2014. The same number of shares is being used for both basic and diluted earnings per share for all periods prior to the date of the TripCo Spin-Off as no company equity awards were outstanding prior to the TripCo Spin-Off.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

See note 2 in the accompanying consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

During October 2013, the Board of Directors of Liberty Interactive Corporation and its subsidiaries ("Liberty") authorized a plan to distribute to the stockholders of Liberty's Liberty Ventures common stock shares of a wholly-owned subsidiary Liberty TripAdvisor Holdings, Inc. ("TripCo" or the "Company") which holds the subsidiaries TripAdvisor, Inc. ("TripAdvisor") and BuySeasons, Inc. which includes the retail businesses BuyCostumes.com and Celebrate Express ("BuySeasons") (the "TripCo Spin-Off"). The transaction was completed on August 27, 2014 and was effected as a pro-rata dividend of shares of TripCo to the stockholders of Series A and Series B Liberty Ventures common stock of Liberty. The TripCo Spin-Off is intended to be tax-free and has been accounted for at historical cost due to the pro rata nature of the distribution to shareholders of Liberty Ventures common stock.

The financial information represents a combination of the historical results of TripAdvisor and BuySeasons as discussed in note 1 in the accompanying consolidated financial statements. These financial statements refer to the combination of TripAdvisor and BuySeasons as "TripCo," "the Company," "us," "we" and "our" in the notes to the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Our "Corporate and Other" category includes our interest in BuySeasons and corporate expenses.

Strategies and Challenges

Executive Summary

Our results prior to December 11, 2012 were largely dependent on the operating performance of BuySeasons. In 2013 and future periods, results for TripCo have been and will be largely dependent upon the operating performance of TripAdvisor. Therefore, the executive summary below contains the strategies and challenges of TripAdvisor for an understanding of the business objectives of TripAdvisor, our most significant operating business. In addition, we have included challenges and strategies related to BuySeasons.

TripAdvisor's Growth Strategy

TripAdvisor leverages significant investments in technology, operations, brand-building, and relationships with advertisers and other partners to expand its business and enhance its global competitive position. TripAdvisor continues to focus on the following areas to grow its business:

- ***Delivering a Great User Experience.*** In 2016, in addition to completing the global instant booking rollout to all users on all devices worldwide, TripAdvisor also made it easier for users to find the best room prices on its site, whether offered through hotel metasearch or instant booking. TripAdvisor believes its continued progress in creating end-to-end travel solutions on its platform will result in better user experiences, and ultimately drive higher conversion to transactions for its partners and higher revenue per hotel shopper for its hotel business. TripAdvisor's innovative culture supports bringing product enhancements to market at speed. In doing so, TripAdvisor believes that it can continue to improve the user experience and engagement by growing, among other things, high-quality content, best room price availability on hotel listings, in-destination bookable supply, and real-time email and push notifications, thereby also enhancing its competitive positioning.

- ***Increasing Traffic to TripAdvisor's Platform.*** TripAdvisor seeks to amplify its global brand and products through various online and offline performance-based marketing channels in order to increase the number of users who navigate to its site either directly, also known as domain direct traffic, or from other marketing channels. TripAdvisor has leveraged, at different points in time, a number of offline advertising channels, including permanent branding campaigns such as TripAdvisor-branded travel awards, certificates, stickers and badges and television advertising. TripAdvisor also leverages a number of online advertising channels, including: customer relationship management email campaigns, or "CRM"; social networks; Search Engine Marketing ("SEM"), which promotes websites by increasing their visibility in search engine results through paid placements, contextual advertising, and paid inclusions; and retargeting, which targets consumers based on their search behavior. In addition, for sources of user traffic, TripAdvisor relies on search engine optimization, or SEO, which promotes websites with relevant and current content that rank well in "organic," or unpaid search engine results, as well as referrals from partners whose sites contain links to TripAdvisor content, badges or widgets. In order to continue growing unique visitors to its websites and enhancing the quality of those visits, TripAdvisor intends to invest in, some or all, of the aforementioned channels, as well as any new channels that it may identify in the future.

- ***Enhancing TripAdvisor's Mobile Offerings***. Innovating and improving TripAdvisor's mobile products is a key priority as mobile devices continue to proliferate and consumers increasingly conduct more internet searches and commerce on these devices. During the year ended December 31, 2016, nearly half of TripAdvisor's average monthly unique visitors came from mobile phone, growing 29% year-over-year, according to TripAdvisor's log files. TripAdvisor anticipates that the growth rate in mobile visitors will continue to exceed the growth rate of its overall monthly unique visitors, resulting in an increased proportion of users continuing to use their mobile devices to access the full range of services available on its websites and applications. TripAdvisor is investing significant resources to improve the features, functionality, engagement, and commercialization of its travel products on its mobile websites and applications.

- ***Growing Attractions, Restaurants and Vacation Rentals Businesses.*** A significant percentage of TripAdvisor's users come to its websites for content on 760,000 activities and attractions, 4.3 million restaurants, and 835,000 vacation rentals, and TripAdvisor believes that continuing to build in-destination listings gives it a unique opportunity to delight users in more moments during more trips. TripAdvisor continues to execute this strategy and increase the stickiness of its products by investing in increasing bookable supply and strengthening its user engagement through its mobile platform.

Current Trends Affecting TripAdvisor's Business

As the largest online travel platform, TripAdvisor believes it is an attractive marketing channel for advertisers— including hotel chains, independent hoteliers, online travel agencies ("OTAs"), destination marketing organizations, and other travel-related and non-travel related product and service providers— who seek to sell their products and services to TripAdvisor's large user base. TripAdvisor is also a booking platform offering users the ability to book hotels, flights, cruises, vacation rentals, tours, activities and attractions, and restaurants directly on its website. The following current trends have affected the financial results of TripAdvisor's consolidated operations during 2016:

Hotel Segment

In its hotel segment, TripAdvisor has invested significant time and resources towards enabling users to book hotels on its sites and applications through its instant booking feature. TripAdvisor began with the accelerated rollout in its two largest markets – the United States and the United Kingdom – in the third quarter of 2015, and completed an accelerated and staged global rollout of this feature to all of its markets during the first half of 2016. During the year, the instant booking feature has monetized at a lower revenue per hotel shopper rate than TripAdvisor's metasearch feature, and therefore has been dilutive to TripAdvisor-branded click-based and transaction revenue growth and to TripAdvisor's overall revenue per hotel shopper. However, in the second half of 2016, TripAdvisor-branded click-based and transaction revenue growth rates improved as TripAdvisor lapped the instant booking rollout in the United States, its largest market, increased spend in its online paid marketing channels, and made product enhancements throughout the year. In addition, the majority of its instant booking revenue is recorded under the consumption model and is recognized at the time the traveler consumes, or completes, the stay. Comparatively, revenue recognized under TripAdvisor's metasearch feature is recorded when a traveler makes the click-through to the travel partners' websites. In future periods, greater contribution from TripAdvisor's instant booking consumption model to TripAdvisor-branded click-based and transaction revenue could result in additional revenue recognized at the time of a consumed stay and therefore a shift in the timing of revenue recognition.

During 2016, TripAdvisor continued to improve its hotel shopping experience, which included an improved display of its metasearch and instant booking features to hotel shoppers, as well as improving booking transaction acumen, which includes improving the on-site experience by offering the best price value proposition, improving room-level content, optimizing the room selection and booking path, and on-boarding more partners with strong branding and supply channels in order to achieve increased initial and repeat bookings. TripAdvisor has continued to explore and develop additional opportunities to engage users with its booking capabilities through online and offline marketing. TripAdvisor now offers users an end-to-end hotel shopping experience, which it believes has improved the hotel shopping experience, as well as educated users about its more comprehensive offering, which TripAdvisor believes will enable it to drive more conversions of hotel shoppers to bookings, ultimately resulting in higher bookings for TripAdvisor's partners and higher revenue per hotel shopper on its platform.

In 2016, hotel shopper growth slowed due to a number of factors, including lower revenue per hotel shopper impacting its advertising expenditure, macroeconomic and geopolitical factors, a continued intense competitive environment, and other travel market dynamics. One of TripAdvisor's key strategic objectives is to grow its brand awareness and grow the number of hotel shoppers on its platforms. TripAdvisor continues to leverage a number of marketing channels, both paid and unpaid, to achieve this objective, including online efforts such as SEM, social media, and email campaigns, as well as offline efforts such as permanent branding campaigns (TripAdvisor-branded travel awards, certificates, stickers and badges). Over time, the traffic visiting TripAdvisor's websites and applications from paid marketing channels has generally grown faster than traffic from unpaid sources due to competition from other travel companies and search engines and it may see a continuation of this trend.

In 2016, hotel shoppers that visited TripAdvisor's websites and applications on mobile phone continued to grow significantly faster than traffic from desktop and tablet devices. As a result, this has contributed to a decline in revenue per hotel shopper and click-based and transaction revenue, as mobile phone devices monetize significantly less than desktop and tablet. This is due to a number of factors, including the fact that mobile phone is still in the early stages of eCommerce adoption, TripAdvisor's partners reduced ability to attribute booking behavior on their websites and applications back to TripAdvisor, limited advertising opportunities on smaller screen devices, lower cost-per-click, lower booking intent, and lower average gross booking value based on consumer purchasing patterns. Mobile phone product development continues to be an area of strategic growth and investment, and TripAdvisor will continue to invest and innovate in this growing platform in order to increase its user base, engagement and monetization over the long term.

As a global travel business specializing in discretionary leisure travel, TripAdvisor believes its 2016 hotel shopper growth, revenue per hotel shopper and Hotel segment financial performance also was negatively impacted by macroeconomic and geopolitical dynamics, including foreign currency and a number of terrorism events, among other factors.

Non-Hotel Segment

TripAdvisor's end-to-end user experience extends beyond its hotel business. In 2016, unique monthly users to non-hotel pages on TripAdvisor's websites and applications – including attractions, restaurants, and vacation rentals – continued to grow. In efforts to address this growing demand and engagement with these products, TripAdvisor has strategically invested in improving the user experience on all devices as well as in building its inventory of global supply of bookable attractions, restaurants, and vacation rentals. In addition to achieving strong supply growth, during 2016 TripAdvisor drove increased mobile engagement and mobile bookings with new mobile ticketing capabilities and mobile push notifications, including in-destination suggestions on the best things to do, helpful tips on the best nearby restaurants, and popular dish recommendations. Continued successful execution of TripAdvisor's key growth strategies resulted in 27% revenue growth in this segment in 2016, when compared to the same period in 2015. Increasing traffic to and engagement with TripAdvisor's Non-Hotel business, as well as increasing its global supply to offer users more choice are ongoing strategic objectives.

Strategies and Challenges Related to BuySeasons

BuySeasons is engaged in the online costume and party supply business. In recent years, BuySeasons has faced increased competition from both internet companies and brick-and-mortar stores resulting in declining revenue and lower margins due primarily to increased marketing spend and discounting of products to drive sales. In order to try and reverse these adverse trends, BuySeasons has significantly reduced the focus on its retail websites and instead is focused on its relationships with online marketplaces and dropship partners. In addition, BuySeasons has implemented cost-cutting measures across the organization, including warehouse operations, customer service and corporate expenses, to improve operating income and Adjusted OIBDA margins.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our historical Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segment. The "corporate and other" category consists of those assets or businesses which we do not disclose separately, such as BuySeasons. For a more detailed discussion and analysis of the financial results of the principal reporting segment, see "Results of Operations—TripAdvisor" below.

Operating Results

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Revenue			
TripAdvisor	$ 1,480	1,492	1,246
Corporate and other	52	73	83
Consolidated TripCo	$ 1,532	1,565	1,329
Operating Income (Loss)			
TripAdvisor	$ 47	56	101
Corporate and other	(24)	(41)	(33)
Consolidated TripCo	$ 23	15	68
Adjusted OIBDA			
TripAdvisor	$ 352	464	468
Corporate and other	(16)	(30)	(26)
Consolidated TripCo	$ 336	434	442

Revenue. Our consolidated revenue decreased $33 million and increased $236 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. Revenue for TripAdvisor decreased $12 million and increased $246 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. Revenue for BuySeasons, the only consolidated subsidiary in Corporate and other, decreased $21 million and $10 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior periods. The decrease for the year ended December 31, 2015 as compared to the corresponding prior year period was due to decreased order volume and average order value for both costumes and party supplies. Due to the challenges faced in the retail sales of costumes and party supplies, in early 2016, BuySeasons made the decision to focus its business on a dropship model. The decrease in revenue for the year ended December 31, 2016 as compared to the corresponding prior year period was due a decrease in retail sales resulting from the change in business model, partially offset by revenue from its online marketplace and dropship channels. The reduced revenue for Corporate and other is expected to continue in future periods due to this business decision. See "Results of Operations—TripAdvisor" below for a more complete discussion of the results of operations of TripAdvisor.

Operating Income (Loss). Our consolidated operating income increased $8 million and decreased $53 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. Operating income at TripAdvisor decreased $9 million and $45 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. The decrease for the year ended December 31, 2015 was primarily due to an increase in charitable contributions of $59 million. See note 13 to the accompanying consolidated financial statements for information regarding TripAdvisor's contribution to its charitable foundation. See "Results of Operations—TripAdvisor" below for a more complete discussion of the results of operations of TripAdvisor.

Operating losses for Corporate and other decreased $17 million and increased $8 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. These changes are primarily due to BuySeasons. As discussed above, in early 2016, BuySeasons made the decision to focus its business on a dropship model. As part of this shift, BuySeasons has reduced certain costs, resulting in improved operating results. BuySeasons' gross profit margin, inclusive of warehouse and fulfillment costs, was 9% in 2016, 7% in 2015 and 21% in 2014. Operating expenses, excluding cost of sales, as a percentage of revenue were 14%, 13% and 16% for the years ended December 31, 2016, 2015 and 2014, respectively. Additionally, SG&A expenses as a percentage of revenue were 14%, 27% and 25.5% for the years ended December 31, 2016, 2015 and 2014, respectively.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation), adjusted for specifically identified non-recurring transactions. Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 13 to the accompanying December 31, 2016 consolidated financial statements for a reconciliation of Adjusted OIBDA to operating income and earnings (loss) before income taxes.

Consolidated Adjusted OIBDA decreased approximately $98 million and $8 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. Adjusted OIBDA at TripAdvisor decreased $112 million and $4 million during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. See "Results of Operations—TripAdvisor" below for a more complete discussion of the results of operations of TripAdvisor.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Interest expense			
TripAdvisor	$ (12)	(10)	(11)
Corporate and other	(13)	(18)	(2)
Consolidated TripCo	$ (25)	(28)	(13)
Realized and unrealized gains (losses) on financial instruments, net			
TripAdvisor	$ 2	2	1
Corporate and other	51	—	—
Consolidated TripCo	$ 53	2	1
Other, net			
TripAdvisor	$ (5)	15	(12)
Corporate and other	—	—	—
Consolidated TripCo	$ (5)	15	(12)

Interest expense. Interest expense decreased $3 million for the year ended December 31, 2016 when compared to the same period in 2015. TripAdvisor's interest expense increased $2 million for the year ended December 31, 2016 when compared to the same period in 2015 primarily due to an increase of $3 million in interest imputed on TripAdvisor's financing obligation related to its corporate headquarters lease, partially offset by a decrease in interest incurred due to lower average outstanding borrowings. Interest expense for corporate and other decreased $5 million for the year ended December 31, 2016 when compared to the same period in 2015 due to lower interest rates on borrowings. Interest expense increased $15 million for the year ended December 31, 2015 when compared to the same period in 2014, primarily due to borrowings on the margin loans at the corporate level which were entered into during the fourth quarter of 2014.

Realized and unrealized gains (losses) on financial instruments, net. Realized and unrealized gains (losses) on financial instruments, net is primarily comprised of the change in the fair value of the variable postpaid forward.

Other, net. The primary components of other, net are gains and losses on dispositions and income and interest earned on marketable securities offset by net foreign exchange losses. Other, net decreased $20 million for the year ended December 31, 2016 when compared to the same period in 2015, primarily due to a $20 million gain on the sale of a Chinese subsidiary of TripAdvisor in 2015 that did not reoccur in 2016. Other, net increased $27 million for the year ended December 31, 2015 when compared to the same period in 2014, primarily due to the fluctuation of foreign exchange rates and the $20 million gain on the sale of TripAdvisor's Chinese subsidiary in 2015.

Income taxes. The Company had income tax benefits of $1 million and $10 million for the years ended December 31, 2016 and 2015, respectively, and $35 million tax expense for the year ended December 31, 2014. During 2016, the Company had income tax benefits from earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate, partially offset by changes in unrecognized tax benefits and changes in valuation allowance. During 2015, the Company had income tax benefits from earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate, partially offset by the recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary, changes in valuation allowance, and changes in unrecognized tax benefits. During 2014, the Company incurred aggregate income tax expense related to an increase in its estimate of the state effective tax rate used to measure its net deferred tax liabilities, based on a change to the Company's estimated state apportionment factors and an increase in its unrecognized tax benefits. This income tax expense was partially offset with income tax benefits for earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate.

Net earnings (loss). We had net earnings of $21 million and net losses of $40 million and $22 million for the years ended December 31, 2016, 2015 and 2014, respectively. The changes in net earnings (loss) were the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 31, 2016, substantially all of 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 following are potential sources of liquidity: available cash balances, proceeds from asset sales, monetization of our investments, outstanding or anticipated debt facilities, debt and equity issuances, and dividend and interest receipts.

As of December 31, 2016 TripCo had a cash balance of $654 million. Approximately $612 million of the cash balance is held at TripAdvisor. Although TripCo has a 56% voting interest in TripAdvisor, TripAdvisor is a separate public company with a significant non-controlling interest, as TripCo has only a 21% economic interest in TripAdvisor. Even though TripCo controls TripAdvisor through its voting interest and board representation, decision making with respect to using TripAdvisor's cash balances must consider TripAdvisor's minority holders. Accordingly, any potential distributions of cash from TripAdvisor to TripCo would generally be on a pro rata basis based on economic ownership interests. As of December 31, 2016, approximately $476 million of TripCo cash is held by TripAdvisor foreign subsidiaries. Cash in foreign subsidiaries is generally accessible but certain tax consequences may reduce the net amount of cash TripAdvisor is able to utilize for domestic purposes. Historically, TripAdvisor's operating cash flows have been sufficient to fund its working capital requirements, capital expenditures and long term debt obligations and other financial commitments and are expected to be sufficient in future periods.

	Years ended December 31,		
	2016	**2015**	**2014**
	amounts in millions		
Cash flow information			
TripAdvisor cash provided (used) by operating activities	$ 321	418	407
Corporate and other cash provided (used) by operating activities	(20)	(27)	(22)
Net cash provided (used) by operating activities	$ 301	391	385
TripAdvisor cash provided (used) by investing activities	$ (163)	(58)	(233)
Corporate and other cash provided (used) by investing activities	(1)	(3)	(8)
Net cash provided (used) by investing activities	$ (164)	(61)	(241)
TripAdvisor cash provided (used) by financing activities	$ (143)	(189)	(61)
Corporate and other cash provided (used) by financing activities	33	6	81
Net cash provided (used) by financing activities	$ (110)	(183)	20

During the year ended December 31, 2016, TripCo's primary uses of cash were $439 million in debt repayments, $166 million in purchases of short term investments and other marketable securities, $105 million of subsidiary share repurchases and $73 million of capital expenditures. These uses of cash were funded primarily with cash provided by operations, proceeds from sales and maturities of short term investments and other marketable securities and borrowings of debt. During the year ended December 31, 2015, TripCo's primary uses of cash were $431 million in debt repayments, $205 million in purchases of short term investments and other marketable securities, $112 million of capital expenditures and $72 million of withholding tax payments. These uses of cash were funded primarily with cash on hand, cash provided by operations, proceeds from sales and maturities of short term investments and other marketable securities and borrowings of debt. During the year ended December 31, 2014, TripCo's primary uses of cash were approximately $331 million to fund acquisitions by TripAdvisor, $348 million distribution to Liberty prior to the TripCo Spin-Off, $251 million in purchases of short term investments and other marketable securities and $90 million in capital expenditures.

The projected use of TripCo's corporate cash will be to primarily fund any operational cash deficits at BuySeasons, to pay fees (not expected to exceed $4 million annually) to Liberty Media for providing certain services pursuant to the services agreement and the facilities sharing agreement, and to pay any other corporate level expenses. We anticipate that TripCo's corporate cash balance (without other financial resources potentially available as discussed above) to be sufficient to maintain operations through a refinancing arrangement on the margin loans and the variable postpaid forward. The debt service costs of two margin loan agreements (the "Margin Loan Agreements") entered into by our bankruptcy remote wholly-owned subsidiary are paid in kind and become outstanding principal. In addition, debt service costs accrue on the variable postpaid forward borrowing described in note 7 to the accompanying consolidated financial statements. At maturity, the accreted loan amount due is approximately $272 million. At the maturity of the Margin Loan Agreements, a number of options are available to satisfy the obligation as discussed above in potential sources of liquidity. TripAdvisor's projected use of cash, incremental to increased operational investment in its business, will primarily be payment of long term debt obligations and other financial commitments, the repurchase of TripAdvisor common stock under TripAdvisor's stock repurchase program approved in 2013 and potential investments or acquisitions in new or existing businesses.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business including potential tax obligations associated with certain transactions following the TripCo Spin-Off. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations, excluding uncertain tax positions as it is undeterminable when payments will be made, is summarized below.

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	amounts in millions				
Consolidated contractual obligations					
Long-term debt(1)	$ 630	80	200	350	—
Interest payments(2)	$ 69	2	53	14	—
Commitment Fees (3)	$ 7	2	4	1	—
Lease obligations	$ 279	28	57	58	136
Total	$ 985	112	314	423	136

(1) Amounts are stated at the face amount at maturity of our debt instruments. Amounts also include capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt. TripAdvisor's outstanding

Chinese credit facility and uncommitted facility agreement with Bank of America Merrill Lynch International Limited have been included as current payments as both are short term in nature.

(2) Amounts (i) are based on our outstanding debt at December 31, 2016, (ii) assume the interest rates on TripAdvisor's variable rate debt remains constant at the December 31, 2016 rates, (iii) assume the interest rates on TripCo's variable rate debt change based on forecasted LIBOR rates and (iv) assume that our existing debt is repaid at maturity.

(3) Amounts reflect expected commitment fee payments based on the unused portion of the TripAdvisor Credit Facilities (as defined in note 7 in the accompanying consolidated financial statements), issued letters of credit, and current effective commitment fee rate as of December 31, 2016.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

Recognition and Recoverability of Goodwill, Intangible and Long-lived Assets

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 test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment). Goodwill is allocated to our reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill.

Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks and our evaluation of the recoverability of our other long-lived assets upon certain triggering events and the initial recognition of such assets through the application of the purchase accounting method. If the carrying value of our definite lived intangible assets and long-lived assets exceeds their undiscounted cash flows, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2016, the intangible assets not subject to amortization for each of our significant reportable segments was as follows:

	Goodwill	Trademarks	Total
	amounts in millions		
TripAdvisor	$ 3,694	1,782	5,476
Corporate and other	—	—	—
	$ 3,694	1,782	5,476

We perform our annual assessment of the recoverability of our goodwill and other non-amortizable intangible assets during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. At year-end we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. Due to declining operating results at BuySeasons, trademark impairments of approximately $2 million were recorded during both of the years ended December 31, 2015 and 2014. There were no impairments during the year ended December 31, 2016.

Websites and Internal Use Software Development Costs

Our subsidiaries 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 years. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. The costs related to the planning and post-implementation phases of software and website development are expensed 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. Future changes to the manner in which developing and testing new features and functionalities related to our subsidiaries' websites and internal use software, assessing the ongoing value of capitalized assets or determining the estimated useful lives over which the costs are amortized, could change the amount of website and internal use software development costs capitalized and amortized in future periods.

Revenue Recognition

Revenue Recognition. Revenue is recognized from advertising services and the sale of goods 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. Deferred revenue, which primarily relates to subscription-based programs, is recorded when payments are received in advance of TripAdvisor's performance as required by the underlying agreements.

Click-based advertising and transaction revenue. Click-based revenue is derived primarily from click-through fees charged to TripAdvisor's travel partners for traveler leads sent to the travel partners' website. TripAdvisor records revenue from click-through fees in the same period as when the traveler makes the click-through to the travel partners' website. TripAdvisor's instant booking transaction model revenue is comprised of commissions earned on all valid instant booking reservations. In the transaction model, TripAdvisor's instant booking commission revenue is recorded at the time a traveler books a hotel transaction on its partner's site where TripAdvisor, as facilitator for such booking, does not assume associated cancellation risk. Under the other instant booking model, called the consumption model, TripAdvisor assumes cancellation risk associated with booking, and it records that revenue in the month in which the traveler's stay at a hotel occurs. TripAdvisor has no post-booking service obligations for all instant booking transactions, regardless of the model chosen.

Display-based and subscription-based advertising. TripAdvisor recognizes display-based advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract. Subscription-based advertising revenue is recognized ratably over the related contractual period over which service is delivered.

Attractions. TripAdvisor works with local operators, or merchant partners, to provide travelers with access to tours and activities in popular destinations worldwide, earning a commission for such service. While the merchant of record, TripAdvisor receives cash from the consumer at the time of booking of the destination activity and records these amounts, net of commissions, as deferred merchant payables on its consolidated balance sheet. Commission revenue is recorded as deferred revenue at the time of booking and later recognized when the consumer has completed the destination activity. TripAdvisor pays the destination activity operators after the travelers' use. In transactions where TripAdvisor is not the merchant of record, it invoices and receives commissions directly from its merchant partners and records commission revenue when the consumer has completed the destination activity.

Restaurants. TripAdvisor recognizes reservation revenue (or per seated diner fees) on a transaction-by-transaction basis as diners are seated by its restaurant customers. Subscription-based revenue is recognized ratably over the related contractual period over which the service is delivered.

Vacation Rentals. TripAdvisor generates revenue from customers for online advertising services related to the listing of their properties for rent primarily on either a subscription basis over a fixed-term, or on a commission basis for transactions that are booked on its platform. Payments for term-based subscriptions received in advance of services being rendered are recorded as deferred revenue and recognized ratably to revenue on a straight-line basis over the listing period. TripAdvisor's commission revenue is primarily generated on its free-to-list option, in lieu of a pre-paid subscription fee. When a commissionable transaction is booked on its platform, TripAdvisor receives cash from the traveler that includes both its commission, which is recorded as deferred revenue, and the amount due to the property owner, which is recorded to deferred merchant payables on its consolidated balance sheets. TripAdvisor pays the amount due to the property owner and recognizes commission revenue at the time of the traveler's stay. Additional revenue is derived on a pay-per-lead basis, as it provides leads for rental properties to property managers. Pay-per-lead revenue is billed and recognized in the period when the leads are delivered to the property managers.

Income Taxes

We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

Additionally, TripAdvisor records liabilities to address uncertain tax positions taken in previously filed tax returns or that are expected to be taken 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 the tax position, based on its technical merits, will be sustained upon examination. For those positions for which a conclusion is reached that it is more likely than not it will be sustained, the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority is recognized. 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.

TripAdvisor has not provided for deferred U.S. income taxes on undistributed earnings of certain foreign subsidiaries that are intended to be reinvested permanently outside the United States. Should the earnings of foreign subsidiaries be distributed in the form of dividends or otherwise, they 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.

Stock-Based Compensation

As more fully described in note 9 to the consolidated financial statements, TripCo has granted to its directors, employees and employees of its subsidiaries options and restricted stock to purchase shares of TripCo common stock (collectively, "Awards"). TripCo measures the cost of employee services received in exchange for an Award based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award).

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

The 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. The volatility of the respective common stock is estimated by using an average of TripAdvisor's historical stock price volatility and that of publicly traded companies that are considered peers based on daily price observations over a period equivalent or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor of a peer group was based upon the relatively short period of availability of data on the respective common stock. The expected term was estimated using the simplified method for all stock options. The expected dividend yield is zero, as no dividends have been paid on the respective common stocks to date.

The fair value of stock options is amortized 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.

Results of Operations—TripAdvisor

Our economic ownership interest in TripAdvisor is 21% and our results include the consolidated results of TripAdvisor and the elimination of approximately 79% of TripAdvisor's net income (loss), including purchase accounting adjustments, through the noncontrolling interest line item in the consolidated statements of operations. TripAdvisor is a separate publicly traded company and additional information about TripAdvisor can be obtained through its website and its public filings. Given that TripAdvisor represents a significant portion of TripCo, we believe a discussion of TripAdvisor's stand alone results promotes a better understanding of overall results of their business. TripAdvisor's revenue, Adjusted OIBDA and operating income on a standalone basis for the years ended December 31, 2016, 2015 and 2014 were as follows (see tables below for a reconciliation of TripAdvisor's standalone results to those amounts reported by TripCo):

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Revenue			
Hotel	$ 1,190	1,263	1,135
Non-Hotel	290	229	111
Total revenue	1,480	1,492	1,246
Operating expense, excluding stock-based compensation	274	237	184
SG&A, excluding stock-based compensation and stock settled charitable contribution	854	791	594
Adjusted OIBDA	352	464	468
Stock settled charitable contribution	—	67	—
Stock based compensation	85	72	63
Depreciation and amortization	101	93	65
Operating income (loss) as reported by TripAdvisor	$ 166	232	340

Revenue

During the first quarter of 2016, TripCo began providing additional disclosures on TripAdvisor's revenue sources, consistent with its standalone presentation. The purpose of this additional disclosure is to provide further understanding of TripAdvisor's revenue sources. This change had no effect on the consolidated financial statements in any period.

TripAdvisor's Hotel revenue decreased $73 million and increased $128 million during the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. The changes in Hotel revenue are detailed as follows:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
TripAdvisor-branded click-based and transaction	$ 750	837	764
TripAdvisor-branded display-based advertising and subscription	282	272	233
Other hotel revenue	158	154	138
Total Hotel revenue	$ 1,190	1,263	1,135

TripAdvisor-branded click-based and transaction revenue includes click-based advertising revenue (or revenue derived from its metasearch auction) from its TripAdvisor-branded websites and revenue from its transaction-based hotel instant booking feature. For the years ended December 31, 2016, 2015 and 2014, 63%, 66%, and 67%, respectively, of TripAdvisor's total Hotel segment revenue was derived from its TripAdvisor-branded click-based and transaction revenue. TripAdvisor-branded click-based and transaction revenue decreased $87 million during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to a decline of 15% in revenue per hotel shopper, offset by an increase in average monthly unique hotel shoppers of 6% during the year ended December 31, 2016. TripAdvisor-branded click-based and transaction revenue increased $73 million during the year ended December 31, 2015, when compared to the same period in 2014, primarily due to an increase in average monthly unique hotel shoppers of 15%, offset by a decline of 4% in revenue per hotel shopper during the year ended December 31, 2015. TripAdvisor believes the primary drivers of the decreases in revenue per hotel shopper include the dilutive effects from the global launch of its hotel instant booking product feature which impacted 2016 to a greater extent than 2015 due to the timing of the staged rollout, a greater percentage of hotel shoppers visiting TripAdvisor websites and apps via mobile phone, in addition to, challenging metasearch comparatives in early 2016 relative to the same periods in 2015, increased competition, macroeconomic and geopolitical factors, including foreign currency and a number of terrorism events, among other factors.

For the years ended December 31, 2016, 2015 and 2014, 24%, 22% and 21%, respectively, of TripAdvisor's Hotel segment revenue was derived from TripAdvisor-branded display based advertising and subscription revenue, which primarily consists of revenue from display-based advertising and subscription-based hotel advertising revenue (or Business Advantage, formerly Business Listings). TripAdvisor-branded display-based advertising and subscription revenue increased by $10 million or 4%, and $39 million or 17%, during the years ended December 31, 2016 and 2015, respectively, when compared to the same periods in 2015 and 2014. Display-based advertising revenue and subscription revenue each grew at comparable rates during these periods. The increase in display-based advertising revenue was primarily due to a slight increase in pricing, as well as impressions sold during the year, while the increase in subscription revenue was a result of increased sales productivity in 2015 which also benefitted 2016, as well as increased pricing and improvements in customer retention rates. The display-based advertising and subscription revenue growth rate decelerated during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to the decline in the number of impressions sold for display-based advertising and lower sales productivity in 2016 for subscription revenue. The increase in display-based advertising revenue during the year ended December 31, 2015, when compared to the same period in 2014, was a result of an increase in the number of impressions sold, due to increased sales productivity, as well as increased sellable inventory due to traffic growth and introduction of new products and features, partially offset by a slight decrease in pricing, while the increase in subscription revenue was primarily related to increased sales productivity.

TripAdvisor's Attractions business benefitted in 2016 from an increase in supply of attraction listings and attraction partners, continued growth in TripAdvisor's user base globally, and enhanced user experience from the introduction of new features, such as attractions on instant booking for mobile, which enables users to purchase tickets and tours seamlessly without leaving the mobile app. These factors are all contributing to more consumer choice, increased conversion, and continued revenue growth as a result of increased bookings. In TripAdvisor's Restaurants business, TripAdvisor has experienced continued revenue growth due to increased bookings in its more established markets and additionally from expansion into new markets. In its Vacation Rentals business, TripAdvisor continued to see an increase in property listings, as well as increased revenue during the year ended December 31, 2016, when compared to the same periods in 2015, primarily due to continued growth in its free-to-list model and increased bookings during the year.

TripAdvisor's Non-Hotel segment revenue increased by $61 million or 27%, during the years ended December 31, 2016 when compared to the same period in 2015, primarily driven by increased bookings in 2016 across all businesses. TripAdvisor's Non-Hotel segment revenue increased $118 million or 106% during the year ended December 31, 2015 when compared to the same period in 2014. This was driven by growth in TripAdvisor's Vacation Rentals business, primarily due to growth in its free-to-list commission-based booking model, and $96 million in incremental revenue during the year ended December 31, 2015, when compared to the same period in 2014, related to TripAdvisor's Attractions and Restaurant businesses, through which Viator and Lafourchette were acquired in August 2014 and May 2014, respectively.

Revenue by Geography

Revenue outside of North America, or international revenue, decreased $67 million or 9% during the year ended December 31, 2016, when compared to the same period in 2015 and increased $100 million or 16% during the year ended December 31, 2015, when compared to the same period in 2014. International revenue represented 44%, 48%, and 50% of total revenue during the years ended December 31, 2016, 2015, and 2014, respectively. TripAdvisor's international revenue growth rate decelerated during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to the overall decrease in revenue per hotel shopper, which is explained above. TripAdvisor's international revenue also declined as a percentage of total revenue during the year ended December 31, 2016 when compared to the same period in 2015. TripAdvisor believes this was largely due to the timing of its instant booking feature rollout in international markets during the first half of this year, and its associated dilutive impact to TripAdvisor-branded click-based and transaction revenue, as compared to the rollout in the U.S market, which was completed in the third quarter of 2015, and to a lesser extent the negative impact to total revenue from the fluctuation of foreign exchange rates. Although international revenue increased, TripAdvisor's international revenue growth rate slowed and international revenue, as a percentage of total revenue, declined slightly during the year ended December 31, 2015 when compared to the same period in 2014, primarily due to the impact of fluctuations in foreign exchange rates, specifically the prolonged weakness of the Euro, in addition to the accelerated rollout of instant booking in the U.K. in late 2015, which had a dilutive impact on international revenue in 2015. In addition, TripAdvisor's international hotel shoppers have generally monetized at lower revenue per hotel shopper rates than hotel shoppers in the U.S. market for all periods presented. See note 13 in the accompanying consolidated financial statements for further details of revenue by geographic area.

Operating Expense

The most significant driver of operating expense are technology and content costs, which increased $24 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased personnel costs from increased headcount needed to support business growth, including international expansion and enhanced site features.

Technology and content costs increased $35 million during the year ended December 31, 2015 when compared to the same period in 2014, primarily due to increased personnel costs from increased headcount to support business growth, including international expansion and enhanced site features, as well as incremental personnel costs related to TripAdvisor's 2014 business acquisitions in Attractions and Restaurants.

Selling and Marketing

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from SEM and other online traffic acquisition costs, syndication costs and affiliate program commissions, social media costs, brand advertising, television and other offline advertising and public relations. In addition, indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, bonuses for sales, sales support, customer support and marketing employees.

Total selling and marketing costs increased $60 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased SEM and other online traffic acquisition costs of $79 million, partially offset by a decrease in costs related to the cessation of TripAdvisor's television advertising campaign. TripAdvisor spent $51 million on its television advertising campaign during the year ended December 31, 2015, which it did not incur during the year ended December 31, 2016. Personnel and overhead costs also increased during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased headcount in TripAdvisor's Non-Hotel segment, which was needed to support business growth.

Total selling and marketing costs increased $187 million during the year ended December 31, 2015 when compared to the same period in 2014, primarily due to increased SEM and other online traffic acquisition costs, increased costs related to TripAdvisor's television campaign, and incremental costs related to its 2014 business acquisitions in Attractions (Viator acquired in August 2014) and Restaurants (Lafourchette acquired in May 2014). Personnel and overhead costs also increased during the year ended December 31, 2015 when compared to the same period in 2014, primarily due to incremental personnel costs related to TripAdvisor's 2014 business acquisitions in Attractions and Restaurants.

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, non-income taxes and charitable foundation costs.

General and administrative expenses increased $3 million during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to increased consulting costs, non-income taxes and bad debt expense.

General and administrative costs increased $10 million during the year ended December 31, 2015, when compared to the same period in 2014, primarily due to increases in personnel costs and overhead costs related to an increase in headcount to support TripAdvisor's business operations, as well as incremental personnel costs related to its 2014 business acquisitions in Attractions and Restaurants.

Stock settled charitable contribution

As discussed in note 13 to the accompanying consolidated financial statements, during 2015, TripAdvisor recognized $67 million related to a charitable contribution settled with its treasury shares. Due to the one-time nature and use of stock to settle the obligation, this contribution has been excluded from Adjusted OIBDA for the year ended December 31, 2015.

Stock based compensation

Stock-based compensation increased $13 million and $9 million for the years ended December 31, 2016 and 2015, respectively, when compared to the same period in the prior year due to continued grants of stock options.

The following is a reconciliation of the results as reported by TripAdvisor, used for comparison purposes as discussed above, for a greater understanding of the stand-alone operations of TripAdvisor to the results reported by TripCo (amounts in millions):

	Year ended December 31, 2016		
	As Reported By TripAdvisor	Purchase Accounting Adjustments	As Reported By TripCo
Revenue	$ 1,480	—	1,480
Operating expense	(274)	—	(274)
SG&A, excluding stock-based compensation and stock settled charitable contribution	(854)	—	(854)
Adjusted OIBDA	352	—	352
Stock-based compensation expense	(85)	—	(85)
Depreciation and amortization expense	(101)	(119)	(220)
Operating income (loss)	$ 166	(119)	47

	Year ended December 31, 2015		
	As Reported By TripAdvisor	Purchase Accounting Adjustments	As Reported By TripCo
Revenue	$ 1,492	—	1,492
Operating expense	(237)	—	(237)
Selling, general and administrative expense	(791)	—	(791)
Adjusted OIBDA	464	—	464
Stock settled charitable contribution	(67)	—	(67)
Stock-based compensation expense	(72)	(5)	(77)
Depreciation and amortization expense	(93)	(171)	(264)
Operating income (loss)	$ 232	(176)	56

Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations by our subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We expect to manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We expect to achieve this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of December 31, 2016, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal Amount	Weighted avg interest rate
	amounts in millions			
TripAdvisor	$ 171	2.1 %	—	N/A
TripCo debt	$ 203	2.8 %	261	1.3 %

TripCo is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of TripAdvisor's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. 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 income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, TripCo may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty TripAdvisor Holdings, Inc. are included herein, beginning on Page F-23.

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

None.

Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page F-21 for *Management's Report on Internal Control Over Financial Reporting*.

See page F-22 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty TripAdvisor Holdings, Inc.'s (the "Company") management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of 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 of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2016, using the criteria in *Internal Control-Integrated Framework (2013),* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2016, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm that audited the consolidated financial statements and disclosures in the Annual Report has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-22 of this Annual Report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty TripAdvisor Holdings, Inc.:

We have audited Liberty TripAdvisor Holdings, Inc.'s (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 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 of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liberty TripAdvisor Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty TripAdvisor Holdings, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2016, and our report dated February 17, 2017, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 17, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty TripAdvisor Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Liberty TripAdvisor Holdings, Inc. (the Company) (as defined in note 1) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity, for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Liberty TripAdvisor Holdings, Inc. as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 17, 2017

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Balance Sheets

December 31, 2016 and 2015

	2016	2015
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 654	644
Trade and other receivables, net of allowance for doubtful accounts of $9 million and $6 million, respectively	191	181
Short-term marketable securities (note 5)	118	47
Other current assets	47	34
Total current assets	1,010	906
Investments in available-for-sale securities (note 5)	16	37
Property and equipment, at cost	225	216
Accumulated depreciation	(49)	(36)
	176	180
Intangible assets not subject to amortization (note 6):		
Goodwill	3,694	3,689
Trademarks	1,782	1,803
	5,476	5,492
Intangible assets subject to amortization, net (note 6)	487	625
Other assets, at cost, net of accumulated amortization	117	45
Total assets	$ 7,282	7,285

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Balance Sheets (Continued)

December 31, 2016 and 2015

	2016	2015
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Deferred merchant and other payables	$ 146	121
Accrued liabilities	132	129
Current portion of debt (note 7)	80	1
Deferred revenue	64	64
Other current liabilities	13	5
Total current liabilities	435	320
Long-term debt (note 7)	555	620
Deferred income tax liabilities (note 8)	659	719
Other liabilities	209	190
Total liabilities	1,858	1,849
Equity		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued.	—	—
Series A common stock, $.01 par value. Authorized 200,000,000 shares; issued and outstanding 72,046,485 at December 31, 2016 and 71,920,260 at December 31, 2015.	1	1
Series B common stock, $.01 par value. Authorized 7,500,000 shares; issued and outstanding 2,929,777 at December 31, 2016 and 2,929,777 at December 31, 2015.	—	—
Series C common stock, $.01 par value. Authorized 200,000,000 shares; no shares issued.	—	—
Additional paid-in capital	245	260
Accumulated other comprehensive earnings (loss), net of taxes	(36)	(25)
Retained earnings	593	572
Total stockholders' equity	803	808
Noncontrolling interests in equity of subsidiaries	4,621	4,628
Total equity	5,424	5,436
Commitments and contingencies (note 12)		
Total liabilities and equity	$ 7,282	7,285

See accompanying notes to consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Statements of Operations

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions, except per share amounts		
Service revenue	$ 1,480	1,492	1,246
Other revenue	52	73	83
Total revenue, net	1,532	1,565	1,329
Operating costs and expenses:			
Operating expense, including stock-based compensation (note 2 and 9)	369	345	294
Selling, general and administrative, including stock-based compensation (note 2 and 9)	918	935	667
Depreciation and amortization	222	268	298
Impairment of intangible assets	—	2	2
	1,509	1,550	1,261
Operating income	23	15	68
Other income (expense):			
Interest expense	(25)	(28)	(13)
Realized and unrealized gains (losses) on financial instruments, net	53	2	1
Other, net	(5)	15	(12)
	23	(11)	(24)
Earnings (loss) before income taxes	46	4	44
Income tax (expense) benefit (note 8)	1	10	(35)
Net earnings (loss)	47	14	9
Less net earnings (loss) attributable to the noncontrolling interests	26	54	31
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	$ 21	(40)	(22)
Basic net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 2):	$ 0.28	(0.53)	(0.30)
Diluted net earnings (loss) attributable to Series A and Series B Liberty TripAdvisor Holdings, Inc. shareholders per common share (note 2):	$ 0.28	(0.53)	(0.30)

See accompanying notes to consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Statements of Comprehensive Earnings (Loss)

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions		
Net earnings (loss)	$ 47	14	9
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	(52)	(58)	(57)
Reclassification adjustment on sale of business	—	1	—
Other comprehensive earnings (loss)	(52)	(57)	(57)
Comprehensive earnings (loss)	(5)	(43)	(48)
Less comprehensive earnings (loss) attributable to the noncontrolling interests	(15)	9	(14)
Comprehensive earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. shareholders	$ 10	(52)	(34)

See accompanying notes to consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 47	14	9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	222	268	298
Stock-based compensation	91	82	74
Non-cash contribution to charitable foundation (note 13)	—	67	—
(Gains) losses on transactions, net (note 4)	—	(19)	—
Impairment of intangible assets	—	2	2
Realized and unrealized (gains) losses on financial instruments, net	(53)	(2)	(1)
Deferred income tax expense (benefit)	(52)	(85)	(70)
Non-cash interest	13	17	4
Other noncash charges (credits), net	(12)	(6)	11
Changes in operating assets and liabilities			
Current and other assets	(24)	(31)	(16)
Payables and other liabilities	69	84	74
Net cash provided (used) by operating activities	301	391	385
Cash flows from investing activities:			
Capital expended for property and equipment	(73)	(112)	(90)
Acquisitions and other investments, net of cash acquired (note 3)	(43)	(29)	(331)
Purchases of short term investments and other marketable securities	(166)	(205)	(251)
Sales and maturities of short term investments and other marketable securities	116	258	429
Other investing activities, net	2	27	2
Net cash provided (used) by investing activities	(164)	(61)	(241)
Cash flows from financing activities:			
Borrowings of debt, net of financing costs	440	291	429
Repayments of debt	(439)	(431)	(43)
Distribution to Liberty	—	—	(348)
Shares repurchased by subsidiary	(105)	—	—
Payment of withholding taxes on net share settlements of equity awards	(15)	(72)	(33)
Shares issued by subsidiary	7	12	3
Option exercises	2	5	12
Other financing activities, net	—	12	—
Net cash provided (used) by financing activities	(110)	(183)	20
Effect of foreign currency exchange rates on cash	(17)	(12)	(9)
Net increase (decrease) in cash and cash equivalents	10	135	155
Cash and cash equivalents at beginning of period	644	509	354
Cash and cash equivalents at end of period	$ 654	644	509

See accompanying notes to consolidated financial statements.

LIBERTY TRIPADVISOR HOLDINGS, INC.

Consolidated Statements of Equity

Years ended December 31, 2016, 2015 and 2014

	Stockholders' equity									
	Preferred stock	Series A	Series B	Series C	Additional paid-in capital	Parent's investment	Accumulated other comprehensive earnings (loss)	Retained earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	amounts in millions									
Balance at December 1, 2014	—	—	—	—	—	226	—	982	4,373	5,581
Net earnings (loss)	—	—	—	—	—	—	—	(22)	31	9
Other comprehensive earnings (loss)	—	—	—	—	—	—	(12)	—	(45)	(57)
Stock compensation	—	—	—	—	7	11	—	—	63	81
Issuance of common stock upon exercise of stock options	—	—	—	—	13	2	—	—	—	15
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(1)	(32)	—	—	—	(33)
Excess tax benefits on stock-based compensation	—	—	—	—	1	3	—	—	16	20
Intercompany taxes and debt forgiven by Liberty	—	—	—	—	—	75	—	—	—	75
Fair value of stock options assumed in connection with acquisition	—	—	—	—	1	—	—	—	4	5
Change in capitalization in connection with Trip Spin-Off	—	1	—	—	277	(278)	—	—	—	—
Distribution to Liberty	—	—	—	—	—	—	—	(348)	—	(348)
Shares issued by subsidiary	—	—	—	—	(2)	(7)	—	—	9	—
Other, net	—	—	—	—	—	—	—	—	(1)	(1)
Balance at December 31, 2014	—	1	—	—	296	—	(12)	612	4,450	5,347
Net earnings (loss)	—	—	—	—	—	—	—	(40)	54	14
Other comprehensive earnings (loss)	—	—	—	—	—	—	(12)	—	(45)	(57)
Stock compensation	—	—	—	—	24	—	—	—	67	91
Issuance of common stock upon exercise of stock options	—	—	—	—	5	—	—	—	—	5
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(72)	—	—	—	—	(72)
Excess tax benefits on stock-based compensation	—	—	—	—	10	—	—	—	21	31
Shares issued by subsidiary	—	—	—	—	(8)	—	—	—	20	12
Stock settled charitable contribution by subsidiary (note 13)	—	—	—	—	6	—	—	—	61	67
Other, net	—	—	—	—	(1)	—	(1)	—	—	(2)
Balance at December 31, 2015	$ —	1	—	—	260	—	(25)	572	4,628	5,436
Net earnings (loss)	—	—	—	—	—	—	—	21	26	47
Other comprehensive earnings (loss)	—	—	—	—	—	—	(11)	—	(41)	(52)
Stock compensation	—	—	—	—	26	—	—	—	77	103
Issuance of common stock upon exercise of stock options	—	—	—	—	2	—	—	—	—	2
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(15)	—	—	—	—	(15)
Shares issued by subsidiary	—	—	—	—	(6)	—	—	—	13	7
Shares repurchased by subsidiary	—	—	—	—	(23)	—	—	—	(82)	(105)
Other, net	—	—	—	—	1	—	—	—	—	1
Balance at December 31, 2016	—	1	—	—	245	—	(36)	593	4,621	5,424

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

During October 2013, the Board of Directors of Liberty Interactive Corporation and its subsidiaries ("Liberty") authorized a plan to distribute to the stockholders of Liberty's Liberty Ventures common stock shares of a wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. ("TripCo" or the "Company") (the "TripCo Spin-Off"). TripCo holds the subsidiaries TripAdvisor, Inc. ("TripAdvisor") and BuySeasons, Inc., which includes the retail businesses of BuyCostumes.com and Celebrate Express ("BuySeasons"), both of which operate as stand-alone operating entities. Both TripAdvisor and BuySeasons have more revenue in the third quarter, based on a higher travel research period and the Halloween period, respectively, as compared to the other quarters of the year. The TripCo Spin-Off was completed on August 27, 2014 and effected as a pro-rata dividend of shares of TripCo to the stockholders of Series A and Series B Liberty Ventures common stock of Liberty. The TripCo Spin-Off was intended to be tax-free and was accounted for at historical cost due to the pro rata nature of the distribution to shareholders of Liberty Ventures common stock.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and represent a consolidation of the historical financial information of TripAdvisor (see note 4 for a more detailed discussion of transactions related to TripAdvisor) and BuySeasons. Although TripAdvisor and BuySeasons were reported as a combined company until the date of the TripCo Spin-Off, these financial statements present all periods as consolidated. These financial statements refer to the combination of TripAdvisor and BuySeasons as "TripCo," "the Company," "us," "we" and "our" in the notes to the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Description of Business

TripAdvisor, by and through its subsidiaries, owns and operates a portfolio of online travel brands. TripAdvisor is the world's largest travel site and its mission is to help people around the world plan, book and experience the perfect trip. TripAdvisor accomplishes this by, among other things, aggregating millions of travelers' reviews and opinions about destinations, accommodations, activities and attractions, and restaurants worldwide, thereby creating the foundation for a unique platform that enables users to research and plan their travel experiences. TripAdvisor's platform also enables users to compare real-time pricing and availability for these experiences as well as to book hotels, flights, cruises, vacation rentals, tours, activities and attractions, and restaurants, either on a TripAdvisor site or app, or on the site or app of one of TripAdvisor's travel partner sites. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 48 markets and 28 languages worldwide. In addition to the flagship TripAdvisor brand, TripAdvisor manages and operates 23 other travel media brands, connected by the common goal of providing users the most comprehensive travel-planning and trip-taking resources in the travel industry. TripAdvisor derives the majority of its revenue from its Hotel segment, which includes click-based advertising and transaction revenue, display-based advertising and subscription-based advertising revenue and other hotel revenue. The remainder of TripAdvisor's revenue is generated through its Non-Hotel segment, which includes its attractions, restaurants and vacation rental businesses.

BuySeasons is an online retailer and supplier of costumes, accessories, seasonal décor, and party supplies. BuySeasons is dedicated to offering a large selection at affordable prices through its brands BuyCostumes.com and Celebrate Express. BuySeasons also operates a private-label drop ship program for other Internet retailers.

Spin-Off of TripCo from Liberty

Following the TripCo Spin-Off, Liberty and TripCo operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the TripCo Spin-Off, TripCo entered into certain agreements, including the reorganization agreement, the services agreement, the facilities sharing agreement and the tax sharing agreement, with Liberty and/or Liberty Media Corporation ("Liberty Media") (or certain of their subsidiaries) in order to govern certain of the ongoing relationships between the companies after the TripCo Spin-Off and to provide for an orderly transition.

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the TripCo Spin-Off, certain conditions to the TripCo Spin-Off and provisions governing the relationship between TripCo and Liberty with respect to and resulting from the TripCo Spin-Off.

Pursuant to the services agreement, Liberty Media provides TripCo with general and administrative services including legal, tax, accounting, treasury and investor relations support. TripCo will reimburse Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and TripCo will pay a services fee to Liberty Media under the services agreement that will be subject to adjustment semi-annually, as necessary.

Under the facilities sharing agreement, TripCo shares office space with Liberty Media and related amenities at Liberty Media's corporate headquarters in Englewood, Colorado.

The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and TripCo and other agreements related to tax matters. Pursuant to the tax sharing agreement, TripCo has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the TripCo Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by TripCo (applicable to actions or failures to act by TripCo and its subsidiaries following the completion of the TripCo Spin-Off).

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash consists of cash deposits held in global financial institutions. Cash equivalents consist of highly liquid investments with maturities of three months or less at the time of acquisition.

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. Such allowance aggregated $9 million and $6 million at December 31, 2016 and 2015, respectively. For accounts outstanding longer than the contractual payment terms, the Company determines an 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.

Investments

All marketable debt and equity securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. Fair values are determined for each individual security in the investment portfolio. Unrealized gains and losses, net of taxes, arising from changes in fair value are reported in accumulated other comprehensive income (loss) as a component of equity.

The classification of investments is determined at the time of purchase and reevaluated 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.

Marketable debt securities are classified 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.

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.

Derivative Instruments

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. None of the Company's derivatives are currently designated as hedges.

The fair value of certain of the Company's derivative instruments are estimated using the Black-Scholes-Merton model. The Black-Scholes-Merton model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtains volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate is obtained at the inception of the derivative instrument and updated each reporting period, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Management judgment is required in estimating the Black-Scholes-Merton model variables.

Property and Equipment

Property and equipment consists of the following (amounts in millions):

	December 31,	
	2016	2015
Buildings	$ 123	123
Leasehold improvements	39	34
Computer equipment	39	38
Furniture, office equipment and other	24	21
Total property and equipment	$ 225	216

Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment and furniture, office equipment and other. Leasehold improvements are depreciated using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease. TripAdvisor's building, which is considered an asset for accounting purposes, is depreciated over its estimated useful life of 40 years.

Leases

The Company, through its consolidated companies, leases facilities in several countries around the world and certain equipment under non-cancelable lease agreements. The terms of some of the lease agreements provide for rental payments on a graduated basis. Rent expense is recognized on a straight-line basis over the lease period and accrued as rent expense incurred but not paid. 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.

Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Our annual impairment assessment of our indefinite-lived intangible assets is performed during the fourth quarter of each year.

The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis, the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior years for other purposes.

If a step one test is considered necessary based on the qualitative factors, the Company compares the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in TripCo's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company's indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. See note 6 for discussion of goodwill impairments.

Websites and Internal Use Software Development Costs

Certain costs incurred during the application development stage related to the development of websites and internal use software are capitalized and included in other intangibles. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. Costs related to the planning and post-implementation phases of software and website development are expensed 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.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangibles) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Noncontrolling Interests

Noncontrolling interest relates to the equity ownership interest in TripAdvisor that the Company does not own. The Company reports noncontrolling interests of consolidated companies within equity in the consolidated balance sheets and the amount of net income attributable to the parent and to the noncontrolling interest is presented in the consolidated statements of operations. Also, changes in ownership interests in consolidated companies in which the Company maintains a controlling interest are recorded in equity.

Foreign Currency Translation and Transaction Gains and Losses

The functional currency of the Company is the United States ("U.S.") dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated 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 (loss) in equity.

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 statements of operations and comprehensive earnings (loss) 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 $4 million, $3 million and $10 million for the years ended December 31, 2016, 2015 and 2014, respectively, in other, net on our consolidated statements of operations. These amounts include gains and losses, realized and unrealized, on foreign currency forward contracts.

Revenue Recognition

Revenue is recognized from the sale of goods and 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. Deferred revenue, which primarily relates to subscription-based and commission based arrangements, is recorded when payments are received in advance of TripAdvisor's performance as required by the underlying agreements.

Click-based advertising and transaction revenue. Revenue is derived primarily from click-through fees charged to TripAdvisor's travel partners for traveler leads sent to the travel partners' website. TripAdvisor records revenue from click-through fees after the traveler makes the click-through to the travel partners' websites. TripAdvisor's instant booking transaction model revenue is comprised of commissions earned on all valid instant booking reservations. In a transaction model, instant booking commission revenue is recorded at the time a traveler books a hotel transaction on TripAdvisor's site where TripAdvisor does not assume cancellation risk. In transactions in which TripAdvisor assumes cancellation risk, it records revenue in the month in which the traveler's stay at a hotel occurs. TripAdvisor has no post-booking service obligations for instant booking transactions.

Display-based and subscription-based advertising. TripAdvisor recognizes 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 contractual period over which service is delivered.

Attractions. TripAdvisor works with local operators, or merchant partners, to provide travelers with access to tours and activities in popular destinations worldwide, earning a commission for such service. TripAdvisor receives cash from the consumer at the time of booking of the destination activity and records these amounts, net of commissions, as deferred merchant payables on its consolidated balance sheets. Commission revenue is recorded as deferred revenue at the time of booking and later recognized when the consumer has completed the destination activity. TripAdvisor pays the destination activity operators after the travelers' use. In transactions where TripAdvisor is not the merchant of record, it invoices and receives commissions directly from its merchant partners and records commission revenue when the consumer has completed the destination activity.

Restaurants. TripAdvisor recognizes reservation revenue (or per seated diner fees) on a transaction-by-transaction basis as diners are seated by its restaurant customers. Subscription-based revenue is recognized ratably over the related contractual period over which the service is delivered.

Vacation Rentals. TripAdvisor generates revenue from customers for online advertising services related to the listing of their properties for rent primarily on either a subscription basis over a fixed-term, or on a commission basis for transactions that are booked on TripAdvisor's platform. Payments for term-based subscriptions received in advance of services being rendered are recorded as deferred revenue and recognized ratably to revenue on a straight-line basis over the listing period. TripAdvisor's commission revenue is primarily generated on its free-to-list option, in lieu of a pre-paid subscription fee. When a commissionable transaction is booked on TripAdvisor's platform, it receives cash from the traveler that includes both commission, which is recorded as deferred revenue, and the amount due to the property owner, which is recorded to deferred merchant payables on TripAdvisor's consolidated balance sheet. TripAdvisor pays the amount due to the property owner and recognizes its commission revenue at the time of the traveler's stay. Additional revenue is derived on a pay-per-lead basis, as TripAdvisor provides leads for rental properties to property managers. Pay-per-lead revenue is billed and recognized in the period when the leads are delivered to the property managers.

Other Revenue. Retail revenue is recognized at the time of delivery to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns was approximately $1 million, $3 million, and $2 million for each of the years ended December 31, 2016, 2015 and 2014, respectively. Shipping revenue is included in net sales and the related costs of shipping are included in operating expense. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.

Operating Expense

Operating expenses consist primarily of certain technology and content expenses, including personnel and overhead expenses which include salaries, benefits and bonuses for salaried employees and contractors engaged in the design, development, testing content support and maintenance of TripAdvisor's websites and mobile apps. Operating expense also includes to a lesser extent costs of services which are expenses that are closely correlated or directly related to service revenue generated, including advertising fees, flight search fees, credit card fees and data center costs. Other costs include licensing, maintenance expense, computer supplies, telecom costs, content translation costs and consulting costs.

General and Administrative

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

Selling and Marketing

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from search engine marketing, or SEM, and other online traffic acquisition costs, syndication costs and affiliate program commissions, social media costs, brand advertising, television and other offline advertising and public relations. In addition, our indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, and bonuses for sales, sales support, customer support and marketing employees.

The Company incurs advertising expense consisting of traffic generation costs from search engines, affiliate program commissions, display advertising, other online and offline advertising expense, and promotions and public relations to promote our brands. Costs associated with advertisements are expensed in the period in which the advertisement takes place. Advertising expense was $544 million, $519 million and $357 million for each of the years ended December 31, 2016, 2015 and 2014, respectively.

Stock-Based Compensation

As more fully described in note 9, TripCo grants to its directors, employees and employees of its subsidiaries restricted stock and options (collectively, “Awards”) to purchase shares of TripCo common stock. TripCo measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). TripCo measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date. Certain outstanding awards that were previously granted by Liberty were assumed by TripCo upon the completion of the TripCo Spin-Off. Additionally, TripAdvisor is a consolidated company and has issued stock-based compensation to its employees related to its common stock. The consolidated statements of operations include stock-based compensation related to TripCo Awards, TripAdvisor equity, and Liberty Awards already held by BuySeasons employees.

Included in the accompanying consolidated statements of operations are the following amounts of stock-based compensation for the years ended December 31, 2016, 2015 and 2014 (amounts in millions):

	December 31,		
	2016	2015	2014
Operating expense	$ 40	32	32
Selling, general and administrative	51	50	42
	$ 91	82	74

During the years ended December 31, 2016, 2015 and 2014, we capitalized $12 million, $8 million and $8 million, respectively, of stock-based compensation expense as internal-use software and website development costs.

In March 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance which simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016, with early application permitted. The Company adopted this guidance in the third quarter of 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the consolidated statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively from January 1, 2016. For adjustments to compensation cost based on actual forfeitures, the Company has recorded an immaterial cumulative-effect adjustment to retained earnings as of January 1, 2016, which is included in other on the consolidated statements of equity. The presentation changes for excess tax benefits have been applied retrospectively in the consolidated statements of cash flows, resulting in $31 million and $20 million of excess tax benefits for the years ended December 31, 2015 and 2014, respectively, reclassified from cash flows from financing activities to cash flows from operating activities.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the Company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not that such net deferred tax assets will not be realized. 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. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date. 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.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in income tax expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in income tax (expense) benefit in the accompanying consolidated statements of operations.

We recognize in our consolidated 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.

Deferred Merchant Payables

TripAdvisor receives cash from travelers at the time of booking related to its vacation rental, attractions and transaction-based businesses and it records these amounts, net of commissions, on its consolidated balance sheets as deferred merchant payables. TripAdvisor pays the hotel, attraction provider or vacation rental owner after the travelers' use and subsequent billing from the hotel, attraction provider or vacation rental owner. Therefore, it receives cash from the traveler prior to paying the hotel, attraction provider or vacation rental owner, and this operating cycle represents a working capital source or use of cash to TripAdvisor. As long as these businesses grow, TripAdvisor expects that changes in working capital related to these transactions, depending on timing of payments and seasonality, will continue to impact operating cash flows. TripAdvisor's deferred merchant payables balance was $128 million and $105 million for the years ended December 31, 2016 and 2015, respectively.

Certain Risks and Concentrations

The TripAdvisor business is subject to certain risks and concentrations including dependence on relationships with its customers. TripAdvisor is highly dependent on advertising relationships with Expedia and Priceline, which each accounted for more than 10% of TripAdvisor's consolidated revenue and combined accounted for approximately 46%, 46% and 46% of its total revenue for the years ended December 31, 2016, 2015 and 2014, respectively.

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 statements of operations. We provide disclosure in the notes to the consolidated 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 financial statements.

Comprehensive Income (Loss)

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

Earnings (Loss) per Common Share (EPS)

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Excluded from EPS for the years ended December 31, 2016, 2015 and 2014 are 2 million, less than a million and less than a million potential common shares, respectively, because their inclusion would be antidilutive.

The Company issued 73,685,924 common shares, which is the aggregate number of shares of Series A and Series B common stock outstanding upon the completion of the TripCo Spin-Off on August 27, 2014.

	Years ended December 31,		
	2016	2015	2014
	number of shares in millions		
Basic EPS	75	75	74
Potentially dilutive shares	—	—	—
Diluted EPS	75	75	74

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) recoverability and recognition of goodwill, intangible and long-lived assets, (ii) accounting for income taxes and (iii) stock-based compensation to be its most significant estimates.

Reclassifications

Certain prior period amounts have been reclassified for comparability with the current year presentation.

Recently Adopted Accounting Pronouncements

In August 2014, the FASB issued new accounting guidance which requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the financial statements are issued. If substantial doubt exists, additional disclosures are required. The Company adopted this guidance during the year ended December 31, 2016. The adoption of this guidance did not have an impact on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued new accounting guidance which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. The Company adopted this guidance in the first quarter of 2016. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. We have identified the Company's various revenue streams and are working with our subsidiaries to evaluate the quantitative effects of the new guidance. The Company has not yet selected a transition method. We will continue to provide updates as to the progress of our evaluation in our quarterly reports during 2017.

In February 2016, the FASB issued new guidance which revises the accounting for leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new guidance also simplifies the accounting for sale and leaseback transactions. The new standard, to be applied via a modified retrospective transition approach, is effective for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company has not yet determined the effect of the standard on its ongoing financial reporting. The Company is currently working with its consolidated subsidiaries to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

In October 2016, the FASB issued new accounting guidance on income tax accounting associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Upon adoption, an entity may apply the new guidance only on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In August and November 2016, the FASB issued new accounting standards which add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows, and add guidance on the presentation of restricted cash in the statement of cash flows, respectively. The guidance in both standards is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, including adoption in an interim period, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. Upon adoption, an entity may apply the new guidance only retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and disclosures. The new guidance is expected to change the presentation of paid in kind interest in the period it is paid from financing to operating on the consolidated statements of cash flows.

In January 2017, the FASB issued new accounting guidance which assists entities in evaluating when a set of transferred assets and activities is a business. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and will be applied prospectively to any transactions occurring within the period of adoption. Early adoption is permitted, including for interim or annual periods in which the financial statements have not been issued. The Company is currently evaluating the impact of adopting this new guidance on its financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal year, beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its financial statements and related disclosures.

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31, 2016	2015	2014
	amounts in millions		
Acquisitions and other investments, net of cash acquired:			
Intangibles not subject to amortization	$ 17	17	253
Intangibles subject to amortization	25	12	194
Fair value of other assets acquired	9	2	25
Net liabilities assumed	(8)	—	(96)
Deferred tax assets (liabilities)	—	(2)	(40)
Other	—	—	(5)
Acquisitions and other investments, net of cash acquired	$ 43	29	331
Cash paid for interest	$ 10	7	8
Cash paid for income taxes	$ 30	44	54

(4) TripAdvisor Acquisitions and Dispositions

Acquisitions

During the year ended December 31, 2016, TripAdvisor completed five acquisitions for a total purchase price of $34 million. TripAdvisor paid net cash consideration of $28 million, which is net of $4 million of cash acquired, and includes $2 million in future holdback payments, which TripAdvisor currently plans to settle in its common stock. The total cash consideration is subject to adjustment based on final working capital adjustment calculations and certain indemnification obligations for general representations and warranties of the acquired company stockholders. The cash consideration was paid primarily from the U.S. TripAdvisor acquired 100% of the outstanding capital stock of the following companies: Tous Au Restaurant, a leading restaurant event week brand in France; HouseTrip, a European-based vacation rental website; Citymaps, a social mapping platform; Sneat, a provider of a mobile reservation platform for restaurants in France; and Couverts, a provider of an online and mobile reservations platform for restaurants in the Netherlands.

The purchase price allocations of TripAdvisor's 2016 acquisitions are preliminary and subject to revision as more information becomes available, but in any case will not be revised beyond twelve months after the acquisition date and any change to the fair value of assets acquired or liabilities assumed will lead to a corresponding change to the purchase price allocable to goodwill in the period the adjustment is determined. The primary area of the purchase price allocation which is not yet finalized is related to income tax-related balances for Citymaps. Acquired goodwill related to TripAdvisor's 2016 acquisitions is not deductible for tax purposes. Pro-forma results of operations for these acquisitions have not been presented as the financial impact to our consolidated financial statements, both individually and in the aggregate, would not be materially different from historical results.

The following table presents the initial purchase price allocations recorded on our consolidated balance sheet for all 2016 acquisitions (in millions):

Goodwill	$	17
Intangible assets		25
Net liabilities assumed		(8)
Total purchase price consideration	$	34

Intangible assets acquired during 2016 included trade names of $4 million, customer lists and supplier relationships of $4 million, subscriber relationships of $5 million, and technology and other of $12 million. The overall weighted-average life of the intangible assets acquired in the purchase of these businesses during 2016 was 6 years, and will be amortized on a straight-line basis over their estimated useful lives.

During the year ended December 31, 2015, TripAdvisor completed three acquisitions for a total purchase price consideration of $28 million and paid in cash. The cash consideration was paid primarily from TripAdvisor's international subsidiaries. TripAdvisor acquired 100% of the outstanding capital stock of the following companies: ZeTrip, a personal journal app that helps users log activities, including places they have visited and photos they have taken, purchased in January 2015; BestTables, a provider of an online and mobile reservations platform for restaurants in Portugal and Brazil, purchased in March 2015; and Dimmi, a provider of an online and mobile reservations platform for restaurants in Australia, purchased in May 2015.

The following table presents the purchase price allocations recorded on our consolidated balance sheet for all 2015 acquisitions (in millions):

Goodwill	$	17
Intangible assets		12
Net tangible assets		1
Deferred tax liabilities, net		(2)
Total purchase price consideration	$	28

Intangible assets acquired during 2015 included trade names of $2 million, customer lists and supplier relationships of $7 million, and technology and other of $3 million. The overall weighted average life of the intangible assets acquired in the purchase of these businesses during 2015 was approximately 6 years, and will be amortized on a straight-line basis over their estimated useful lives.

Approximately $1 million, $1 million and $4 million of acquisition-related costs were expensed as incurred during the years ended December 31, 2016, 2015 and 2014, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

Dispositions

In August 2015, TripAdvisor sold its 100% interest in a Chinese subsidiary to an unrelated third party for $28 million in cash consideration. Accordingly, TripAdvisor deconsolidated $11 million of assets (which included $3 million of cash sold) and $4 million of liabilities from its consolidated balance sheets and recognized a $20 million gain on sale in other, net on the consolidated statements of operations.

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

The Company's assets and liabilities measured at fair value are as follows:

	December 31, 2016			December 31, 2015		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	$ 53	53	—	44	39	5
Marketable securities	$ 118	—	118	47	—	47
Available-for-sale securities	$ 16	—	16	37	—	37
Variable postpaid forward	$ 51	—	51	NA	NA	NA

On June 6, 2016, TripCo entered into a variable postpaid forward transaction with a financial institution with respect to 7 million TripAdvisor shares held by the Company with a forward floor price of $38.90 per share and a forward cap price of $98.96 per share. TripCo borrowed $259 million against the variable postpaid forward on June 23, 2016 (see note 7). The asset associated with this instrument is included in the other assets line item in the consolidated balance sheet as of December 31, 2016. Changes in the fair value of the variable postpaid forward are recognized in realized and unrealized gains (losses) on financial instruments in the consolidated statements of operations.

The fair value of Level 2 marketable securities and available-for-sale securities were obtained from pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. The fair value of Level 2 derivative assets were derived from a Black-Scholes-Merton model using observable market data as the significant inputs.

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, trade payables, accrued and other current liabilities, current portion of debt and long-term debt. The carrying amount approximates fair value due to the short maturity of these instruments as reported on our consolidated balance sheets.

(6) Goodwill and Other Intangible Assets

Goodwill and Indefinite Lived Intangible Assets

Changes in the carrying amount of goodwill are as follows (amounts in millions):

	TripAdvisor	Corporate and Other	Total
Balance at January 1, 2015	$ 3,691	—	3,691
Acquisition (1)	17	—	17
Other (2)	(19)	—	(19)
Balance at December 31, 2015	3,689	—	3,689
Acquisition (1)	17	—	17
Other (2)	(12)	—	(12)
Balance at December 31, 2016	$ 3,694	—	3,694

(1) Additions to goodwill relate to TripAdvisor's acquisitions. See "Note 4 – TripAdvisor, Inc. Acquisitions and Dispositions," for further information.
(2) Other changes are primarily due to foreign currency translation on goodwill.

As presented in the accompanying consolidated balance sheets, trademarks are the other significant indefinite lived intangible asset and the change from the prior year is due to the change in foreign exchange rates.

Intangible Assets subject to amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2016				December 31, 2015		
	Weighted Average Remaining Useful Life	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in years			amounts in millions			
Customer relationships	5	866	(615)	251	965	(599)	366
Other	3	480	(244)	236	444	(185)	259
Total		1,346	(859)	487	1,409	(784)	625

Amortization of TripAdvisor intangible assets acquired during 2012 are expected to match the usage of the related assets and are being amortized on an accelerated basis as reflected in amortization expense and in the future amortization table below.

Amortization expense was $198 million, $245 million and $279 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The estimated future amortization expense for the next five years related to intangible assets with definite lives as of December 31, 2016, assuming no subsequent impairment of the underlying assets, is as follows (amounts in millions):

2017	$	176
2018	$	118
2019	$	115
2020	$	109
2021	$	94

Impairments

During the years ended December 31, 2015 and 2014, we recorded impairments related to BuySeasons, presented in the statements of operations, which is included in the Corporate and other segment. The impairments are primarily related to trademarks. Continued declining operating results as compared to budgeted results and certain trends required a quantitative impairment test and a determination of fair value for BuySeasons. This fair value, including the related intangibles and goodwill, was determined using projections of future operating performance and applying a combination of market multiples (market approach) and discounted cash flow (income approach) calculations (Level 3). As of December 31, 2016 the accumulated impairment losses for BuySeasons was $46 million.

(7) Debt

Outstanding debt at December 31, 2016 and 2015 is summarized as follows:

	December 31, 2016	December 31, 2015
	amounts in millions	
TripAdvisor Credit Facilities	$ 164	200
TripAdvisor Chinese credit facilities	7	1
TripCo margin loans	203	421
TripCo variable postpaid forward	261	NA
Unamortized discount and debt issuance costs	—	(1)
Total consolidated TripCo debt	$ 635	621
Less debt classified as current	(80)	(1)
Total long-term debt	$ 555	620

TripAdvisor Credit Facilities

On June 26, 2015, TripAdvisor entered into a five year credit agreement (the "2015 Credit Facility"). The 2015 Credit Facility, among other things, provides for (i) a $1 billion unsecured revolving credit facility, (ii) an interest rate on borrowings and commitment fees based on TripAdvisor's and its subsidiaries' consolidated leverage ratio and (iii) uncommitted incremental revolving loan and term loan facilities, subject to compliance with a leverage covenant and other conditions. Any overdue amounts under or in respect of the revolving credit facility not paid when due shall bear interest at (i) in the case of principal, the applicable interest rate plus 2.00% per annum, (ii) in the case of interest denominated in British pound sterling or Euro, the applicable rate plus 2.00% per annum and (iii) in the case of interest denominated in U.S. Dollars, 2.00% per annum plus the Alternate Base Rate plus the interest rate spread applicable to ABR loans. TripAdvisor may borrow from the revolving credit facility in U.S. dollars, Euros and British pound sterling with a term of five years expiring June 26, 2020.

There is no specific repayment date prior to the five-year maturity date for borrowings under this revolving credit facility. During the year ended December 31, 2016, TripAdvisor borrowed an additional $101 million and repaid $210 million of its outstanding borrowings on the 2015 Credit Facility. Based on TripAdvisor's current leverage ratio, borrowings bear interest at LIBOR plus 125 basis points, or the Eurocurrency Spread. TripAdvisor is currently borrowing under a one-month interest period of 2.0% per annum, using a one-month interest period Eurocurrency Spread, which will reset periodically. Interest will be payable on a monthly basis while TripAdvisor is borrowing under the one-month interest rate period.

TripAdvisor is 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. Unused revolver capacity is currently subject to a commitment fee of 20 basis points, given TripAdvisor's current leverage ratio. The 2015 Credit Facility includes $15 million of borrowing capacity available for letters of credit and $40 million for borrowings on same-day notice. As of December 31, 2016, TripAdvisor had issued $3 million of outstanding letters of credit under the 2015 Credit Facility.

TripAdvisor may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans. Certain wholly-owned domestic subsidiaries of TripAdvisor have agreed to guarantee TripAdvisor's obligations under the 2015 Credit Facility.

The 2015 Credit Facility contains a number of covenants that, among other things, restrict TripAdvisor's 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 the fiscal year. The 2015 Credit Facility also requires TripAdvisor to maintain a maximum leverage 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 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility. Additionally, the 2015 Credit Facility includes a subjective acceleration clause, which could be triggered by the lenders, if a representation, warranty or statement made by TripAdvisor proves to be incorrect in any material respect, which in turn would permit the lenders to accelerate repayment of any outstanding obligations. TripAdvisor believes that the likelihood of the lender exercising this right is remote and, as such, borrowings under this facility are classified as long-term.

On September 7, 2016, TripAdvisor entered into an uncommitted facility agreement with Bank of America Merrill Lynch International Limited (the "Lender"), which provides for a $73 million unsecured revolving credit facility (the "2016 Credit Facility" and together with the 2015 Credit Facility, the "TripAdvisor Credit Facilities") with no specific expiration date. The 2016 Credit Facility is available at the Lender's absolute discretion and can be canceled at any time. Repayment terms for borrowings under the 2016 Credit Facility are generally one to six month periods and bear interest at LIBOR plus 112.5 basis points. TripAdvisor may borrow from the 2016 Credit Facility in U.S. dollars only and it may voluntarily repay any outstanding borrowing at any time without premium or penalty. Any overdue amounts under or in respect of the 2016 Credit Facility not paid when due shall bear interest in the case of principal at the applicable interest rate plus 1.50% per annum. In addition, TripAdvisor, LLC, a wholly-owned domestic subsidiary of TripAdvisor, has agreed to guarantee TripAdvisor's obligations under the 2016 Credit Facility. There are no specific financial or incurrence covenants.

TripAdvisor borrowed $73 million under the 2016 Credit Facility in September 2016. These funds were used for TripAdvisor's general working capital needs, primarily for partial repayment of TripAdvisor's long-term debt, and the liability is recorded in short-term liabilities on the consolidated balance sheet as of December 31, 2016. TripAdvisor is currently borrowing under a one-month interest period of 1.9% per annum, which will reset periodically. Interest will be payable on a monthly basis while TripAdvisor is borrowing under the one-month interest rate period.

TripAdvisor Chinese Credit Facilities

In addition to borrowings under the Trip Advisor Credit Facilities, TripAdvisor maintains Chinese credit facilities. As of December 31, 2016 and 2015, there were approximately $7 million and $1 million of short term borrowings outstanding, respectively.

TripAdvisor's Chinese subsidiary is party to a $30 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. The Chinese Credit Facility—BOA bears interest at a rate based on 100% of the People's Bank of China's base rate, which was 4.35% as of December 31, 2016. As of December 31, 2016, there are no outstanding borrowings under the Chinese Credit Facility—BOA.

In addition, TripAdvisor's Chinese subsidiary is party to a RMB 70,000,000 (approximately $10 million) one-year revolving credit facility with J.P. Morgan Chase Bank (the "Chinese Credit Facility—JPM"). The Chinese Credit Facility—JPM bears interest at a rate based on 100% of the People's Bank of China's base rate, which was 4.35% as of December 31, 2016. As of December 31, 2016, TripAdvisor had $7 million of outstanding borrowings under the Chinese Credit Facility—JPM.

TripCo Margin Loans and Variable Postpaid Forward

On August 21, 2014, a wholly owned subsidiary of TripCo ("TripSPV"), entered into two margin loan agreements which aggregated total borrowings of $400 million. Interest on the margin loans accrues at a rate of 3.65% plus LIBOR for six months and 3.25% thereafter. Interest on the margin loans was paid in kind and added to the principal amount on the loans.

In connection with the variable postpaid forward transaction entered into on June 6, 2016, as described in note 5, TripCo borrowed $259 million against the variable postpaid forward on June 23, 2016. The term of the forward is four years. At maturity, the accreted loan amount due is approximately $272 million. The proceeds from the forward were used to repay $200 million in principal and $29 million of paid in kind interest on the margin loans with the remainder being used for general corporate purposes.

On June 23, 2016, TripCo amended the terms of the margin loan agreements with respect to the remaining borrowings of $200 million. Common Stock and Class B Common Stock of TripAdvisor were pledged as collateral pursuant to these agreements. Each agreement contains language that indicates that the Company, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that TripCo agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or certain other restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The agreements also contain certain restrictions related to additional indebtedness and margin calls. The initial margin call would require the outstanding balance to be reduced to $150 million if at any time the closing price per share of TripAdvisor common stock were to fall below certain minimum values. Pursuant to the amendments, interest on the margin loans accrues at a rate of 2.0% plus LIBOR per year to be paid in kind or cash at the election of TripCo. The Company expects that interest on the loan will be paid in kind and added to the principal amount on the loan. The term of the loan is three years and the maturity date is June 21, 2019.

During the year ended December 31, 2016, TripCo recorded $11 million and $2 million of non-cash interest related to the amended margin loans and variable postpaid forward, respectively.

As of December 31, 2016, the values of TripAdvisor's shares pledged as collateral pursuant to the margin loan agreements and variable postpaid forward, determined based on the trading price of the Common Stock and on an as-if converted basis for the Class B Common Stock, are as follows:

Pledged Collateral	Number of Shares Pledged as Collateral as of December 31, 2016	Share value as of December 31, 2016
	amounts in millions	
Common Stock	18.2	$ 844
Class B Common Stock	12.8	$ 594

The outstanding margin loans contain various affirmative and negative covenants that restrict the activities of the borrower. The loan agreements do not include any financial covenants.

Additionally, in support of the margin loan agreements, TripCo and Liberty Interactive LLC entered into a promissory note (which expires in August 2017) whereby TripCo may request, upon certain margin call thresholds, up to $200 million in funds. Proceeds from the promissory note must be used by TripSPV to offset obligations under the margin loan agreements.

Fair Value

Due to the primarily variable rate nature, TripCo believes that the carrying amount of its debt approximated fair value at December 31, 2016 and 2015.

Debt Covenants

As of December 31, 2016, each of the Company and TripAdvisor was in compliance with its respective debt covenants.

(8) Income Taxes

TripCo was included in the federal consolidated income tax return of Liberty prior to August 27, 2014. The tax provision included in these financial statements has been prepared on a stand-alone basis, as if TripCo was not part of the consolidated Liberty group for periods prior to the TripCo Spin-Off. TripAdvisor, as a consolidated subsidiary for financial statement purposes, was not included in the Liberty consolidated group tax return and is not included in the TripCo consolidated group tax return subsequent to the TripCo Spin-Off as TripCo owns less than 80% of TripAdvisor. Additionally, upon the completion of the TripCo Spin-Off, the unused stand-alone net operating losses of BuySeasons was treated as a deemed equity distribution at that date. Furthermore, the income taxes payable allocated to TripCo by Liberty as of August 27, 2014 was treated as a deemed equity contribution of $29 million from Liberty upon completion of the TripCo Spin-Off.

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Current:			
Federal	$ (33)	(42)	(77)
State and local	(3)	(7)	(22)
Foreign	(15)	(26)	(6)
	$ (51)	(75)	(105)
Deferred:			
Federal	$ 30	52	55
State and local	6	7	(16)
Foreign	16	26	31
	52	85	70
Income tax benefit (expense)	$ 1	10	(35)

The following table presents a summary of our domestic and foreign earnings from continuing operations before income taxes:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Domestic	$ 24	(70)	4
Foreign	22	74	40
Total	$ 46	4	44

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefits (expense)	$ (16)	(1)	(16)
State and local taxes, net of federal income taxes	(3)	2	(7)
Foreign taxes, net of foreign tax credits	28	48	28
Change in estimated tax rate	1	3	(15)
Basis difference in consolidated subsidiary	6	(21)	(5)
Change in valuation allowance	(9)	(7)	(7)
Change in unrecognized tax benefits	(11)	(12)	(14)
Federal tax credits	10	3	2
Other	(5)	(5)	(1)
Income tax (expense) benefit	$ 1	10	(35)

During 2016, the Company had income tax benefits from earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate, partially offset by changes in unrecognized tax benefits and changes in valuation allowance.

During 2015, the Company had income tax benefits from earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate, partially offset by the recognition of deferred tax liabilities for basis differences in the stock of a consolidated subsidiary, changes in valuation allowance, and changes in unrecognized tax benefits. Included in the income tax benefits from earnings in foreign jurisdictions is a $13 million tax benefit recorded at TripAdvisor as a result of a favorable decision in a U.S tax court case issued in July 2015 related to the treatment of stock-based compensation in intercompany cost-sharing agreements.

During 2014, the Company incurred aggregate income tax expense related to an increase in its estimate of the state effective tax rate used to measure its net deferred tax liabilities, based on a change to the Company's estimated state apportionment factors and an increase in its unrecognized tax benefits. This income tax expense was partially offset with income tax benefits for earnings in foreign jurisdictions taxed at rates lower than the 35% U.S. federal tax rate.

The tax effects of temporary differences and tax attributes that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2016	December 31, 2015
	amounts in millions	
Deferred tax assets:		
Loss carryforwards	$ 93	89
Stock-based compensation	57	56
Lease financing obligation	33	33
Other	85	32
Total deferred tax assets	268	210
Less: valuation allowance	(33)	(23)
Net deferred tax assets	235	187
Deferred tax liabilities:		
Intangible assets	(773)	(811)
Investments	(45)	(33)
Other	(76)	(62)
Total deferred tax liabilities	(894)	(906)
Net deferred tax liability	$ (659)	(719)

During the year ended December 31, 2016, there was a $10 million increase in the Company's valuation allowance due to additional foreign net operating losses at TripAdvisor.

TripAdvisor has not provided for deferred U.S. income taxes on undistributed earnings of certain foreign consolidated companies that it intends to reinvest permanently outside the United States; the total amount of such earnings as of December 31, 2016 was $828 million. Should these earnings be distributed or treated under certain U.S. tax rules as having distributed earnings of foreign consolidated companies in the form of dividends or otherwise, TripAdvisor 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.

At December 31, 2016, the Company has a deferred tax asset of $93 million for federal, state, and foreign loss carryforwards. Of this amount, $46 million is recorded at TripAdvisor. If not utilized to reduce income tax liabilities at TripAdvisor in future periods, these loss carryforwards will expire at various times between 2017 and 2036. The remaining deferred tax asset of $47 million relates to federal and state net operating loss carryforwards recorded at TripCo. If not utilized to reduce income tax liabilities at TripCo in future periods, these net operating loss carryforwards will expire at various times between 2021 and 2036. The loss carryforwards recorded at TripAdvisor and TripCo are expected to be utilized prior to expiration, except for $5 million of state net operating losses and $28 million of foreign net operating losses (on a tax-effected basis), which based on current projections of state and foreign taxable income may expire unused.

A reconciliation of unrecognized tax benefits is as follows (amounts in millions):

	Years ended December 31,		
	2016	2015	2014
Balance at beginning of year	$ 89	67	36
Additions based on tax positions related to the current year	16	15	13
Additions for tax positions of prior years	1	7	18
Reductions for lapse of statute of limitations	(1)	—	—
Balance at end of year	$ 105	89	67

As of December 31, 2016, 2015 and 2014 the Company had recorded tax reserves of $105 million, $89 million and $67 million, respectively, related to unrecognized tax benefits for uncertain tax positions, which is classified as long-term and included in other long-term liabilities on the consolidated balance sheets. Prior to the acquisition of a controlling interest in TripAdvisor in December 2012, the Company did not have any unrecognized tax benefits for uncertain tax positions. If the unrecognized tax benefits were to be recognized for financial statement purposes, approximately $63 million, $53 million and $65 million for the years ended December 31, 2016, 2015 and 2014, respectively, would be reflected in the Company's tax expense and affect its effective tax rate. The Company's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment. The Company does not anticipate any material changes in the next fiscal year.

As of December 31, 2016 and 2015, the Company had recorded approximately $9 million and $6 million, respectively, of accrued interest and penalties related to uncertain tax positions.

As of December 31, 2016, Liberty's tax years prior to 2013 are closed for federal income tax purposes, and the IRS has completed its examination of Liberty's 2013 and 2014 tax years and TripCo's 2014 and 2015 tax years. TripCo's 2016 tax year is being examined currently as part of the IRS's Compliance Assurance Process program. Because TripCo's ownership of TripAdvisor is less than the required 80%, TripAdvisor does not consolidate with TripCo for federal income tax purposes.

Prior to December 2011, TripAdvisor was included in the consolidated federal income tax returns filed by Expedia. Expedia's 2009, 2010 and 2011 tax years are currently being audited by the IRS. TripAdvisor and Expedia are parties to a tax sharing agreement whereby TripAdvisor is generally required to indemnify Expedia for any taxes resulting from the Expedia 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 TripAdvisor described in the covenants in the tax sharing agreement, (ii) any acquisition of TripAdvisor's equity securities or assets or those of a member of its group, or (iii) any failure of the representations with respect to TripAdvisor or any member of its group to be true or any breach by TripAdvisor or any member of its 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.

TripAdvisor is undergoing an audit by the IRS for the 2012 and 2013 tax years. Various states are currently examining TripAdvisor's prior year's state income tax returns. TripAdvisor is no longer subject to tax examinations by tax authorities for years prior to 2008. As of December 31, 2016, no material assessments have resulted for the 2012 and 2013 tax years.

In January 2017, as part of Expedia's IRS audit, TripAdvisor received Notices of Proposed Adjustment from the IRS for the 2009 and 2010 tax years. These proposed adjustments are related to certain transfer pricing arrangements with TripAdvisor's foreign subsidiaries, and would result in an increase to TripAdvisor's worldwide income tax expense in an estimated range of $10 million to $14 million for 2009 and 2010 after consideration of competent authority relief, exclusive of interest and penalties. TripAdvisor disagrees with the proposed adjustments and intends to defend its position through applicable administrative and, if necessary, judicial remedies. TripAdvisor's policy is to review and update tax reserves as facts and circumstances change. Based on TripAdvisor's interpretation of the regulations and available case law, it believes the position taken with regard to transfer pricing with its foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009 and 2010 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, TripAdvisor would be subject to significant additional tax liabilities.

(9) Stock-Based Compensation

TripCo Incentive Plans

In connection with the TripCo Spin-Off, the holder of an outstanding option or stock appreciation right (collectively "Award") to purchase shares of Liberty Ventures Series A and Series B common stock on the record date (a "Liberty Ventures Award") received an Award to purchase shares of the corresponding series of TripCo common stock and an adjustment to the exercise price and number of shares subject to the original Liberty Ventures Award (as so adjusted, an "adjusted Liberty Ventures Award"). Following the TripCo Spin-Off, employees of Liberty hold Awards in both Liberty Ventures common stock and TripCo common stock. The compensation expense relating to employees of Liberty is recorded at Liberty. Therefore, compensation expense related to Awards resulting from the TripCo Spin-Off will not be recognized in the Company's consolidated financial statements.

Except as described above, all other terms of an adjusted Liberty Ventures Award and a new TripCo Award (including, for example, the vesting terms thereof) are in all material respects, the same as those of the corresponding original Liberty Ventures Award.

Pursuant to the Liberty TripAdvisor Holdings, Inc. 2014 Omnibus Incentive Plan (Amended and Restated as of March 11, 2015) (the "2014 Plan"), the Company may grant Awards in respect of a maximum of 6.7 million shares of TripCo common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. TripCo issues new shares upon exercise of equity awards.

TripCo - Grants

During the year ended December 31, 2016 and pursuant to the 2014 Plan, TripCo granted 67 thousand options to purchase shares of Series A common stock to its non-employee directors. Such options had a weighted average grant-date fair value of $6.63 per share and cliff vest over a 1-year vesting period. There were no options to purchase shares of Series B common stock granted during the period.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2016, 2015 and 2014, the range of expected terms was 5.7 years to 7.3 years. Since TripCo common stock has not traded on the stock market for a significant length of time, the volatility used in the calculation for Awards is based on a blend of the historical volatility of TripCo and TripAdvisor common stock and the implied volatility of publicly traded TripCo and TripAdvisor options; as the most significant asset within TripCo, the volatility of TripAdvisor was considered in the overall volatility of TripCo. For grants made in 2016, 2015 and 2014, the range of volatilities was 40.6% to 45.9%. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options. The Company recognizes the cost of an Award over the period during which the employee is required to provide service (usually the vesting period of the Award).

TripCo - Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase TripCo common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	Series A	WAEP	Weighted average remaining contractual life	Aggregate intrinsic value
	in thousands		in years	in millions
Outstanding at January 1, 2016	720	$ 14.67		
Granted	67	$ 16.15		
Exercised	(126)	$ 13.73		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2016	661	$ 14.99	3.0	$ 1
Exercisable at December 31, 2016	580	$ 14.69	2.5	$ 1

	Series B	WAEP	Weighted average remaining contractual life	Aggregate intrinsic value
	in thousands		in years	in millions
Outstanding at January 1, 2016	1,797	$ 27.83		
Granted	—	$ —		
Exercised	—	$ —		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2016	1,797	$ 27.83	8.0	$ —
Exercisable at December 31, 2016	—	$ —	—	$ —

As of December 31, 2016, the total unrecognized compensation cost related to unvested equity Awards was $15 million. Such amount will be recognized in the Company's statements of operations over a weighted average period of approximately 2 years.

As of December 31, 2016, TripCo reserved 2.5 million shares of Series A and Series B common stock for issuance under exercise privileges of outstanding stock Awards.

TripCo - Exercises

The aggregate intrinsic value of all TripCo options exercised during the years ended December 31, 2016, 2015 and 2014 was $1.2 million, $7.3 million and $10.7 million, respectively.

TripCo — Restricted Stock

The aggregate fair value of all restricted shares of TripCo common stock that vested during the years ended December 31, 2016, 2015 and 2014 was $1.2 million.

As of December 31, 2016, the Company had approximately 16,000 unvested restricted shares of Series A TripCo common stock held by certain directors, officers and employees of the Company with a weighted average grant-date fair value of $6.19 per share.

TripAdvisor Equity Grant Awards

Pursuant to TripAdvisor's Amended and Restated 2011 Stock and Annual Incentive Plan (the "2011 Incentive Plan"), TripAdvisor may grant restricted stock, restricted stock awards, restricted stock units ("RSUs"), stock options and other stock-based awards to TripAdvisor directors, officers, employees and consultants. Grants were valued using a volatility of 41.8% and the applicable risk free rate for an expected term of 4.9 years for the year ended December 31, 2016, volatility of 41.8% and the applicable risk free rate for an expected term of 5.4 years for the year ended December 31, 2015 and a volatility of 44.0% and the applicable risk free rate for an expected term of 5.8 years for the year ended December 31, 2014.

Performance-based stock options and RSUs vest upon achievement of certain TripAdvisor company-based performance conditions and a requisite service period. On the date of grant, the fair value of stock options is calculated using a Black-Scholes-Merton model, which incorporates assumptions to value stock-based awards, including the risk-free rate of return, expected volatility, expected term and expected dividend yield. If, upon grant, TripAdvisor assesses the achievement of performance targets as probable, compensation expense is recorded for the awards over the estimated performance period on a straight-line basis. At each reporting period, the probability of achieving the performance targets and the performance period required to meet those targets is assessed. To the extent actual results or updated estimates differ from TripAdvisor's 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 following table presents the number, weighted average exercise price ("WAEP") and aggregate intrinsic value of stock options to purchase TripAdvisor common stock granted under their 2011 Incentive Plan:

	Number of Options	WAEP	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	in thousands		in years	in millions
Outstanding at January 1, 2016	5,720	$ 53.71		
Granted	1,064	$ 63.43		
Exercised	(733)	$ 31.58		
Cancelled or expired	(233)	$ 70.76		
Outstanding at December 31, 2016	5,818	$ 57.60	5.5	$ 25
Exercisable at December 31, 2016	2,796	$ 42.95	4.3	$ 24

During the year ended December 31, 2016, TripAdvisor granted 1 million of service based stock options under their 2011 Incentive Plan, with a weighted average estimated grant-date fair value per option of $63.43. These stock options generally have a contractual term of ten years from the date of grant and generally vest over a four year requisite service period. As of December 31, 2016, the total number of shares available under the 2011 Incentive Plan is 15,051,221 shares. TripAdvisor related stock-based compensation for the year ended December 31, 2016 was approximately $85 million. As of December 31, 2016, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately $48 million and will be recognized over a weighted average period of approximately 2.3 years.

Restricted Stock Units

RSUs are stock awards that are granted to employees entitling the holder to shares of TripAdvisor common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of TripAdvisor common stock at the date of grant. The fair value of RSUs is amortized 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.

During the year ended December 31, 2016, TripAdvisor granted 2 million service based RSUs under their 2011 Incentive Plan for which the fair value was measured based on the quoted price of TripAdvisor common stock at the date of grant. The weighted average grant date fair value for RSUs granted during 2016 was $63.71 per share. The unvested TripAdvisor RSUs had a weighted average grant date fair value of $69.35 as of December 31, 2016. As of December 31, 2016, the total unrecognized compensation cost related to 2.9 million unvested TripAdvisor RSU's outstanding was approximately $149 million which will be recognized over the remaining vesting term of approximately 2.8 years.

(10) Employee Benefit Plans

Consolidated companies of TripCo sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in TripCo common stock, as well as other mutual funds. The Company's consolidated companies make matching contributions to the plans based on a percentage of the amount contributed by employees. Employer cash contributions related to BuySeasons and TripAdvisor were $9 million, $7 million and $5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(11) Related Party Transactions

Agreement with Chairman, President and CEO

Because of the significant voting power that Gregory B. Maffei would possess upon exercise of the options granted to him on December 21, 2014 and as a result of the share exchange between Mr. Maffei and certain of our stockholders in December 2014, the Compensation Committee of the Board of Directors of TripCo (the "Board") and members of the Board independent of Mr. Maffei determined it was appropriate to request that Mr. Maffei and TripCo enter into a standstill agreement that would cap his voting interest at 34.9%, subject to a variety of limitations and exceptions.

(12) Commitments and Contingencies

Operating Leases

TripCo's consolidated companies have contractual obligations in the form of operating leases for office and warehouse space for which the related expense is recorded 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.

In June 2013, TripAdvisor entered into a lease to move its headquarters to Needham, Massachusetts in 2015. TripAdvisor was the deemed owner (for accounting purposes only) of the new building during the construction period under build to suit lease accounting. As building construction began in the fourth quarter of 2013, TripAdvisor recorded project construction costs incurred by the landlord as a construction-in-progress asset and a corresponding construction financing obligation in “Property and equipment, at cost” and “Other liabilities,” respectively, in the consolidated balance sheets.

Upon completion of construction at the end of the second quarter of 2015, TripAdvisor evaluated the construction-in-progress asset and construction financing obligation for de-recognition under the criteria for “sale-leaseback” treatment under GAAP. TripAdvisor has continued economic involvement in the facility, and therefore did not meet the provisions for sale-leaseback accounting. This determination was based on TripAdvisor's continuing involvement with the property in the form of non-recourse financing to the lessor. Therefore, the lease has been accounted for as a financing obligation. Accordingly, TripAdvisor began depreciating the building asset over its estimated useful life and incurring interest expense related to the financing obligation imputed using the effective interest rate method. TripAdvisor bifurcates the lease payments into (i) a portion that is allocated to the building (a reduction to the construction financing obligation) and; (ii) a portion that is allocated to the land on which the building was constructed. The portion of the lease payments allocated to the land is treated as an operating lease that commenced in 2013. The construction financing obligation is considered a long-term finance lease obligation and is recorded to noncurrent “Other liabilities” in the consolidated balance sheets. At the end of the lease term, the carrying value of the building asset and of the remaining financing obligation are expected to be equal, at which time TripAdvisor may either surrender the leased asset as settlement of the remaining financing obligation or extend the initial term of the lease for the continued use of the asset. TripAdvisor incurred approximately $6 million and $62 million of non-cash construction costs and related obligations in connection with the capitalization of construction-in-progress and tenant improvement costs during the years ended December 31, 2015 and 2014, respectively.

TripAdvisor also leases an aggregate of approximately 465,000 square feet at approximately 40 other locations across North America, Europe and Asia Pacific, primarily for its international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through June 2027.

For the years ended December 31, 2016, 2015 and 2014, TripCo recorded rental expense of $21 million, $22 million and $22 million, respectively. The following table presents TripCo’s estimated future minimum rental payments under operating leases with non-cancelable lease terms, including the new TripAdvisor headquarters lease, that expire after December 31, 2016 (amounts in millions):

2017	$ 28
2018	28
2019	29
2020	29
2021	29
Thereafter	136
	$ 279

Off-Balance Sheet Arrangements

TripCo did not have any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures or capital resources.

Litigation

In the ordinary course of business, the Company and its subsidiaries are parties to legal proceedings and claims involving, among other things, arising out of our operations. These matters may relate to claims involving alleged infringement of third-party intellectual property rights, defamation, taxes, regulatory compliance and other claims. Although it is reasonably possible that the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

(13) Segment Information

TripCo, through its ownership interests in subsidiaries and other companies, is primarily engaged in the online commerce industries. TripCo identifies its reportable segments as (A) those consolidated companies that represent 10% or more of its consolidated annual revenue, annual adjusted operating income before depreciation and amortization ("Adjusted OIBDA") or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of TripCo's annual pre-tax earnings.

TripCo evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, TripCo reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

TripCo defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation), adjusted for specifically identified non-recurring transactions. TripCo believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, equity settled liabilities (including stock-based compensation), separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. TripCo generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

TripCo's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated companies are the same as those described in the Company's summary of significant accounting policies.

Performance Measures

	Years ended December 31,					
	2016		2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
TripAdvisor	$ 1,480	352	1,492	464	1,246	468
Corporate and other	52	(16)	73	(30)	83	(26)
Consolidated TripCo	$ 1,532	336	1,565	434	1,329	442

Other Information

	December 31, 2016		December 31, 2015	
	Total Assets	Capital expenditures	Total Assets	Capital expenditures
	amounts in millions			
TripAdvisor	$ 7,171	72	7,235	109
Corporate and other	111	1	50	3
Consolidated TripCo	$ 7,282	73	7,285	112

Revenue by Geographic Area

	December 31,		
	2016	2015	2014
	amounts in millions		
United States	$ 850	807	670
United Kingdom	210	215	191
Other countries	472	543	468
Consolidated TripCo	$ 1,532	1,565	1,329

Long-lived Assets by Geographic Area

	December 31,	
	2016	2015
	amounts in millions	
United States	$ 158	150
Other countries	18	30
Consolidated TripCo	$ 176	180

The following table provides a reconciliation of consolidated Adjusted OIBDA to operating income and earnings (loss) before income taxes:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Consolidated Adjusted OIBDA	$ 336	434	442
Stock settled charitable contribution (1)	—	(67)	—
Stock-based compensation	(91)	(82)	(74)
Depreciation and amortization	(222)	(268)	(298)
Impairment of intangible assets	—	(2)	(2)
Operating income	23	15	68
Interest expense	(25)	(28)	(13)
Realized and unrealized gains (losses) on financial instruments, net	53	2	1
Other, net	(5)	15	(12)
Earnings (loss) before income taxes	$ 46	4	44

(1) TripAdvisor recorded an expense for the year ending December 31, 2015 in the amount of $67 million for a non-cash contribution to the TripAdvisor Charitable Foundation (the "Foundation") which was recorded to general and administrative expense in the consolidated statements of operations. TripAdvisor settled this obligation with treasury shares based on the fair value of its common stock on the date the treasury shares were issued to the Foundation. Due to the one-time nature and use of stock to settle the obligation, the amount has been excluded from Adjusted OIBDA for the year ended December 31, 2015, as shown above.

(14) Quarterly Financial Information (Unaudited)

As discussed in note 2, during the third quarter of 2016, the Company adopted new accounting guidance that requires the recognition of excess tax benefits and tax deficiencies as income tax benefit or expense rather than as additional paid-in capital. The Company has applied the new guidance prospectively from January 1, 2016. The unaudited quarterly information for the first and second quarters of 2016 has been retrospectively adjusted to reflect the impact of the adoption of this guidance.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2016:				
Revenue	$ 361	398	434	339
Operating income (loss)	$ 2	14	31	(24)
Net earnings (loss)	$ (5)	7	26	19
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B stockholders	$ (11)	(2)	(1)	35
Basic earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B stockholders per common share	$ (0.15)	(0.03)	(0.01)	0.47
Diluted earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B Stockholders per common share	$ (0.15)	(0.03)	(0.01)	0.47

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2015:				
Revenue	$ 374	414	432	345
Operating income (loss)	$ 38	25	35	(83)
Net earnings (loss)	$ 17	13	29	(45)
Net earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B stockholders	$ (7)	(7)	(3)	(23)
Basic earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B stockholders per common share	$ (0.09)	(0.09)	(0.04)	(0.31)
Diluted earnings (loss) attributable to Liberty TripAdvisor Holdings, Inc. Series A and Series B Stockholders per common share	$ (0.09)	(0.09)	(0.04)	(0.31)

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BOARD OF DIRECTORS

Gregory B. Maffei
Chairman of the Board, President and Chief Executive Officer
Liberty TripAdvisor Holdings, Inc.

Michael J. Malone
Chief Executive Officer and Principal
Hunters Capital, LLC

Chris Mueller
Managing Partner
Post Closing 360 LLC

Larry E. Romrell
Retired Executive Vice President
Tele-Communications, Inc.

Albert E. Rosenthaler
Chief Corporate Development Officer
Liberty TripAdvisor Holdings, Inc.

J. David Wargo
Founder and President
Wargo & Company, Inc.

EXECUTIVE COMMITTEE

Gregory B. Maffei
Chris Mueller
Albert E. Rosenthaler

COMPENSATION COMMITTEE

Larry E. Romrell (Chairman)
Michael J. Malone
J. David Wargo

AUDIT COMMITTEE

Chris Mueller (Chairman)
Michael J. Malone
J. David Wargo

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

J. David Wargo (Chairman)
Michael J. Malone
Larry E. Romrell

SENIOR OFFICERS

Gregory B. Maffei
President and Chief Executive Officer

Richard N. Baer
Chief Legal Officer

Albert E. Rosenthaler
Chief Corporate Development Officer

Brian J. Wendling
Senior Vice President and
Chief Financial Officer

CORPORATE SECRETARY

Michael E. Hurelbrink

CORPORATE HEADQUARTERS

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Englewood, CO 80112
(720) 875-5200

STOCK INFORMATION

Series A Common Stock (LTRPA) and Series B Common Stock (LTRPB) trade on the NASDAQ Global Select Market.

CUSIP NUMBERS

LTRPA – 531465 102
LTRPB – 531465 201

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ON THE INTERNET

Visit the Liberty TripAdvisor Holdings, Inc. website at *www.libertytripadvisorholdings.com*.

FINANCIAL STATEMENTS

Liberty TripAdvisor Holdings, Inc. financial statements are filed with the Securities and Exchange Commission. Copies of these financial statements can be obtained from the Transfer Agent or through the Liberty TripAdvisor Holdings, Inc. website.

LIBERTY
TRIPADVISOR HOLDINGS

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