PRICELINE COM INC
Form 10-Q
November 14, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _________ to __________

Commission File Number 0-25581

PRICELINE.COM INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware	06-152849
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

800 Connecticut Avenue
Norwalk, Connecticut 06854

(address of principal executive offices)

(203) 299-8000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed, since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES /X/. NO / /.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act. YES /X/. NO / /.

Number of shares of Common Stock outstanding at November 13, 2002:

Common Stock, par value $0.008 per share	224,709,658

(Class)	(Number of Shares)

priceline.com Incorporated
Form 10-Q

For the Quarter Ended September 30, 2002

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

PART II - OTHER INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PRICELINE.COM INCORPORATED
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTE 2 (UNA
ASSETS	
Current assets:	
Cash and cash equivalents........................	$
Restricted cash........................	

Short-term investments..	
Accounts receivable, net of allowance for doubtful accounts of $2,581 and $4,170	
Prepaid expenses and other current assets......................................	
Total current assets..	
Property and equipment, net..	
Goodwill..	
Other assets, primarily related parties in 2001..................................	
Total assets..	$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable..	$
Accrued expenses..	
Other current liabilities..	
Total current liabilities..	
Accrued expenses..	
Total liabilities..	
SERIES B MANDATORILY REDEEMABLE PREFERRED STOCK, $0.01 par value; 80,000 authorized shares; $1,000 liquidation value per share; 80,000 shares issued; 13,469 and 25,345 shares outstanding, respectively..	
Stockholders' equity:	
Common stock, $0.008 par value, authorized 1,000,000,000 shares; issued 235,542,777 and 229,487,885 shares, respectively..	
Treasury stock, 10,837,953 shares and 5,450,236 shares, respectively................	(
Additional paid-in capital..	2,
Accumulated deficit..	(1,
Cumulative currency translation adjustment..	
Total stockholders' equity..	
Total liabilities and stockholders' equity..	$

See notes to unaudited condensed consolidated financial statements.

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PRICELINE.COM INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS SEPTEMBER
	2002	2001	2002

Travel revenues	$ 238,121	$ 299,793	$ 800,902	$
Other revenues	1,843	2,196	5,403	
Total revenues	239,964	301,989	806,305	
Cost of travel revenues	201,949	250,952	677,432	
Cost of other revenues	274	605	991	
Total costs of revenues	202,223	251,557	678,423	
Gross profit	37,741	50,432	127,882	
Operating expenses:				
Sales and marketing	20,794	30,010	66,175	
General and administrative	7,459	6,069	21,883	
Payroll tax on employee stock options	-	297	120	
Stock based compensation	250	1,015	750	
Systems and business development	10,138	10,160	31,191	
Restructuring and special charge (reversal)	(92)	-	(1,116)	
Severance charge (reversal)	-	-	(55)	
Impairments of investments in licensees	24,229	-	24,229	
Total operating expenses	62,778	47,551	143,177	
Operating (loss) income	(25,037)	2,881	(15,295)	
Other income (expenses):				
Loss on sale of equity investment	-	-	-	
Interest income	656	2,062	2,226	
Equity in net income of pricelinemortgage	394	34	1,131	
Gain on disposal of fixed assets	164	-	165	
Total other income	1,214	2,096	3,522	
Net (loss) income	(23,823)	4,977	(11,773)	
Preferred stock dividend	(490)	(8,563)	(2,344)	
Net loss applicable to common stockholders	$ (24,313)	$ (3,586)	$ (14,117)	$
Net loss applicable to common stockholders per basic and diluted common share	$ (0.11)	$ (0.02)	$ (0.06)	$
Weighted average number of basic and diluted common shares outstanding	227,273	216,132	228,151	

See notes to unaudited condensed consolidated financial statements.

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PRICELINE.COM INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(UNAUDITED)

(IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT
Balance, January 1, 2002..............	229,488	$ 1,836	$ 2,015,849	$ (1,544,341)
Comprehensive loss:				
Net loss applicable to common stockholders.........................	-	-	-	(14,117)
Currency translation adjustment........	-	-	-	-
Total comprehensive loss..............				
Repurchase of common stock............	-	-	-	-
Issuance of common stock under deferred compensation plans...................	184	1	749	-
Issuance of preferred stock dividend...	696	6	2,338	-
Exercise of options and warrants.......	5,175	41	15,002	-
Balance, September 30, 2002...........	235,543	$ 1,884	$ 2,033,938	$ (1,558,458)

	CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance, January 1, 2002..............	$ -	$ 146,711
Comprehensive loss:		
Net loss applicable to common stockholders.........................	-	(14,117)
Currency translation adjustment........	65	65
Total comprehensive loss..............		$ (14,052)
Repurchase of common stock............	-	(11,777)
Issuance of common stock under deferred compensation plans...................	-	750
Issuance of preferred stock dividend...	-	2,344
Exercise of options and warrants.......	-	15,043

Balance, September 30, 2002...........	$ 65	$ 139,019
	========	=========

See notes to unaudited condensed consolidated financial statements.

PRICELINE.COM INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	NINE MONT SEPTEMB 2002
OPERATING ACTIVITIES:	
Net loss...	$ (11,773)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization..	13,799
Provision for uncollectible accounts...................................	760
Net loss on sale of equity investments.................................	-
Acceleration of stock options..	-
Non-cash severance...	-
Amortization of deferred compensation..................................	-
Equity in net income of pricelinemortgage..............................	(1,131)
Net gain on disposal of fixed assets...................................	(166)
Impairments of investments in licensees................................	24,229
Changes in assets and liabilities:	
Accounts receivable..	(1,749)
Prepaid expenses and other current assets..............................	(3,568)
Accounts payable and accrued expenses..................................	(17,597)
Issuance of short-term note receivable.................................	-
Other..	(807)
Net cash provided by operating activities..	1,997
INVESTING ACTIVITIES:	
Additions to property and equipment....................................	(7,408)
Proceeds from sales of fixed assets....................................	229
Payment of convertible notes and warrants of licensees.................	1,840
Proceeds from sale/maturity of investments.............................	-
Investment in short-term investments/marketable securities.............	(18,209)
Release (funding) of restricted cash and bank certificates of deposits...	(2,778)
Net cash used in investing activities..	(26,326)
FINANCING ACTIVITIES:	
Shares reacquired for withholding taxes................................	-
Proceeds from sale of common stock, net................................	-
Proceeds from exercise of stock options and warrants...................	3,165
Repurchase of common stock...	(11,777)
Net cash (used in) provided by financing activities................................	(8,612)
Effect of exchange rate changes on cash and cash equivalents.......................	(145)
Net (decrease) increase in cash and cash equivalents...............................	(33,086)

Cash and cash equivalents, beginning of period	99,943
Cash and cash equivalents, end of period	$ 66,857

See notes to unaudited condensed consolidated financial statements.

PRICELINE.COM INCORPORATED
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company is responsible for the unaudited condensed consolidated financial statements included in this document. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operating results. The Company prepared the condensed consolidated financial statements following the requirements of the Securities and Exchange Commission for interim reporting. As permitted under those rules, the Company condensed or omitted certain footnotes or other financial information that are normally required by GAAP for annual financial statements. As these are condensed financials, one should also read the financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year.

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period presentation.

2. NET INCOME (LOSS) PER SHARE

The Company computes basic and diluted earnings per share in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." SFAS 128 requires the Company to report both basic earnings per share, which is based on the weighted average number of common shares outstanding, and diluted earnings per share, which is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. For the three and nine months ended September 30, 2002, for the purpose of calculating earnings per share - basic, the weighted average number of common shares outstanding was 227,273,199 and 228,150,756, respectively. Since the Company incurred a loss applicable to common stockholders for the three- and nine-month periods ended September 30, 2002 and the three- and nine-month periods ended September 30, 2001, the inclusion of options and warrants in the calculation of weighted average common shares is anti-dilutive and, therefore, there is no difference between basic and diluted earnings per share for those periods.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the statement of financial position, and no longer be amortized but tested for impairment at least annually. SFAS 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company adopted the provisions of SFAS 142 effective January 1, 2002, and, as a result, will not record goodwill amortization. As the acquisition of the Company's majority interest in priceline.com europe Ltd. occurred after June 30, 2001, the Company had no goodwill amortization for the year ended December 31, 2001. The Company completed a goodwill impairment review as of January 1, 2002, using a fair value approach in accordance with SFAS 142, and found no impairment. During the third quarter 2002, the Company performed a subsequent impairment test and recorded an impairment charge which is described in more detail in Note 5.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 146 will be effective for the Company for disposal activities initiated after December 31, 2002. The Company will adopt the new standard January 1, 2003.

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4. RESTRUCTURING AND SPECIAL CHARGES

In 2000, the Company recorded restructuring charges of approximately $32.0 million and a special charge of approximately $34.8 million. The restructuring charge resulted from the Company's review of its operations with the intention of increasing efficiencies and refocusing its business principally on its core travel products. As a result of this review, the Company primarily decided to reduce its work force, consolidate its real estate and rationalize certain international markets and potential product line offerings.

During 2002, the Company decreased the liability for the 2000 restructuring charge by approximately $2.9 million. The reductions resulted from the subleasing of office space under more favorable terms than originally anticipated (reflected in the "restructuring and special charge (reversal)" line of the statement of operations) and disbursements made during the year.

During 2002, the Company decreased the liability for the 2000 special charge by approximately $2.5 million. The reductions primarily resulted from the favorable resolution of certain matters partially offset by other required charges (reflected in the "restructuring and special charge (reversal)" line of the statement of operations) and disbursements made during the year.

(IN THOUSANDS)

	RESTRUCTURING	SPECIAL	TOTAL
Accrued at December 31, 2001......	$ 5,666	$ 2,474	$ 8,140
Adjustments......................	(916)	(1,432)	(2,348)
Disbursed during 2002............	(2,032)	(1,040)	(3,072)
Accrued at September 30, 2002.....	$ 2,718	$ 2	$ 2,720

At September 30, 2002:

Current portion.............	$ 1,717	$ 2	$ 1,719
Long-term portion...........	1,001	-	1,001

5. ACQUISITION

On December 21, 2001, the Company completed the acquisition of approximately 62% of the issued and outstanding shares of priceline.com Europe Holdings, N.V., the parent company of priceline.com europe Ltd. (together with priceline.com Europe Holdings, N.V., "priceline.com europe") for approximately $24 million, including transaction costs, which was accounted for as a purchase. Prior to the acquisition of priceline.com europe, General Atlantic Partners, LLC and its affiliated entities ("GAP") owned approximately 86% of priceline.com Europe Holdings, N.V. At the time of the acquisition, GAP owned approximately 5.9 million shares of priceline.com Incorporated common stock according to documents publicly filed with the Securities and Exchange Commission. During the nine months ended September 30, 2001, the Company charged priceline.com europe licensing fees of $800,000 and reimbursable expenses of approximately $3.0 million. On a consolidated basis, there were no such fees recorded in the first, second or third quarter of 2002.

On January 31, 2002, the Company invested an additional $10 million in priceline.com Europe Holdings, N.V., which increased the Company's equity interest in priceline.com europe to approximately 74.6% of the issued and outstanding shares.

William Ford, a principal of GAP, is a member of the Company's board of directors and chairman of the Company's audit committee. Certain investors in priceline.com Europe Holdings, N.V., including certain affiliates of GAP, have the right to put their shares of priceline.com Europe Holdings, N.V. to the Company, at fair market

value, in the event of a change in control, as defined, of the Company. These investors own 45,539,999 shares of priceline.com Europe Holdings, N.V.

The excess of the cost of the acquisition over the fair value of the net assets acquired was approximately $23 million and was recorded as goodwill. The assets and liabilities were recorded at their estimated fair values as of the acquisition date. The Company expects in the near term that priceline.com europe will continue to incur operating losses and since the other stockholders of priceline.com europe have no commitment to provide financing, the Company has recognized the entire loss for the nine months ended September 30, 2002, in its consolidated financial statements subsequent to the acquisition.

During the third quarter of 2002 the Company performed impairment tests and determined that the carrying amount of goodwill of $22.5 million relating to priceline.com europe Ltd. exceeded its implied fair value by approximately $12 million and accordingly recorded an impairment charge of $12 million. The fair value was determined by third party valuations using generally accepted valuation techniques including the market value of comparable companies (including revenue multiple methodology) and discounted cash flow methods. Underlying the impairment was a continued decline in the market value of priceline.com's common stock, which the Company reviews quarterly as an indicator of possible impairment of priceline.com europe Ltd.'s carrying value, a deterioration in priceline.com europe Ltd.'s operations caused primarily by increasingly competitive conditions among European online travel companies, and a decision in the third quarter of 2002 to reconfigure product offerings.

6. OTHER ASSETS

Other assets at September 30, 2002 and December 31, 2001 consist of the following (in thousands):

	SEPTEMBER 30, 2002	DECEMBER
Convertible loans and other advances - Hutchison-Priceline Limited........................	$ -	
Convertible loans - MyPrice................................	-	
Investment in pricelinemortgage............................	6,356	
Other..	3,435	
Total	$ 9,791	

Convertible loans and other advances - Hutchison-Priceline Limited represented a convertible note from the Company's Asian licensee, Hutchison Priceline Limited. During the periods ended September 30, 2002 and 2001, the Company charged Hutchison Priceline Limited $375,000 in licensing fees per period, and approximately $199,000 and $426,000, respectively, in reimbursable expenses, in accordance with the Company's agreements.

During the third quarter of 2002 the Company performed its periodic evaluation of the progress of the operations of Hutchison Priceline Limited. Factors including increasing negative variances in key operating metrics such as negative gross margins and continuing operating losses, negative net asset position and an increasingly competitive operating environment led the Company to determine that the carrying value of its convertible note no longer reflected its fair value. Accordingly, the Company recorded an impairment charge to reduce the carrying value of its investment in Hutchison Priceline Limited to its fair value. Estimated fair value was determined using cash flow estimates and a review of the market value of comparable companies including the consideration of the decline in the Company's market value and through discussion with third party valuation specialists.

Convertible loans - MyPrice represented the carrying value of the amounts due to the Company from its Australian licensee. MyPrice has repaid these amounts during the three months ended September 30, 2002.

Investment in pricelinemortgage represents the Company's 49% equity investment in pricelinemortgage. In September 2001, the Company converted a debt instrument into a 49% equity interest in pricelinemortgage and, accordingly, has recognized its pro rata share of pricelinemortgage's net income. At September 30, 2002, the investment in pricelinemortgage consists of the Company's original investment of $4.6 million and the Company's

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cumulative share of pricelinemortgage's earnings of approximately $1.8 million. Robert J. Mylod, the Company's Chief Financial Officer, is a director of, and an investor in, Alliance Capital Partners Inc., the parent company of Alliance Partners. In 1997, Mr. Mylod invested $50,000 in Alliance Capital Partners Inc. and his investment represents less than 1/10 of one percent of Alliance's outstanding common stock.

7. TREASURY STOCK

On July 31, 2002, the Company's Board of Directors authorized the repurchase of up to $40 million of common stock from time to time in the open market or in privately negotiated transactions. As part of the stock repurchase program, the Company purchased 5,387,717 shares of its common stock for its treasury during the period ended September 30, 2002 at an aggregate cost of approximately $11.8 million. All shares were purchased at prevailing market prices.

The Company may continue or, from time to time, suspend repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. Whether and when to initiate and/or complete any purchase of common stock and the amount of common stock purchased will be determined in the Company's complete discretion. As of September 30, 2002, there were approximately 224.7 million shares of our common stock outstanding.

8. DELTA AIR LINES

During the first quarter of 2001, Delta and the Company agreed to restructure Delta's investment in the Company. Delta exchanged 6,000,000 shares of Series A Convertible Redeemable PIK Preferred Stock for 80,000 shares of a newly created Series B Mandatorily Redeemable Preferred Stock ("Series B Preferred Stock") and warrants (the "Warrants") to purchase approximately 27 million shares of the Company's common stock at an exercise price of $2.97 per share.

Pursuant to the terms of the certificate of designations relating to the Series B Preferred Stock, the Series B Preferred Stock bears a dividend that is payable through the issuance of approximately 3.0 million shares of the Company's common stock each year, subject to adjustment as provided for in the certificate of designations. The Series B Preferred Stock has a liquidation preference of $1,000 per share and is subject to mandatory redemption on February 6, 2007 or is subject to redemption at the option of Delta or the Company prior to February 6, 2007. In the event the Company consummates any of certain business combination transactions, the Series B Preferred Stock may be redeemed at the option of the Company or Delta at the liquidation preference per outstanding share plus all dividends accrued but not paid on the shares. In such an event, Delta would also be entitled to receive an amount equal to the sum of the dividend payments that would have accrued or cumulated on the shares to be redeemed through the remaining scheduled dividend payment dates and, in the event that any of the business combination transactions occurs before November 16, 2002, a premium payment of $625 per share.

The Warrants provide that at any time the closing sales price of the Company's common stock has exceeded $8.90625 (subject to adjustment) for 20 consecutive trading days, the Warrants will automatically be exercised. The exercise price of the Warrant is paid by surrendering .00296875 shares of Series B Preferred Stock for each share of common stock purchased. As of September 30, 2002, there were 4,537,199 Warrants outstanding.

During 2001, Delta exercised Warrants to purchase approximately 18.4 million shares of the Company's common stock and on January 29, 2002, Delta exercised Warrants to purchase 4 million shares of the Company's common stock. As a result, there are 13,469 shares of Series B Preferred Stock outstanding with an aggregate liquidation preference of approximately $13.5 million and the Company's future semi-annual dividend has been reduced to approximately 242,000 shares of common stock. In accordance with the terms of the Series B Preferred Stock, the Company delivered dividends consisting of 986,491, 454,308 and 241,441 shares of the Company's common stock to Delta on August 6, 2001, February 6, 2002, and August 6, 2002, respectively, and, as a result, the Company recorded non-cash dividend charges, respectively, of $8.6 million, $1.85

million and $490,000 in the third quarter of 2001, the first quarter of 2002 and the third quarter of 2002, respectively.

9. COMMITMENTS AND CONTINGENCIES

On January 6, 1999, the Company received notice that a third party patent applicant and patent attorney, Thomas G. Woolston, purportedly had filed in December 1998 with the United States Patent and Trademark Office a request to declare an interference between a patent application filed by Woolston and the Company's U.S. Patent 5,794,207. The Company is currently awaiting information from the Patent Office regarding whether it will initiate an interference proceeding.

Subsequent to the Company's announcement on September 27, 2000 that revenues for the third quarter 2000 would not meet expectations, it was served with the following putative class action complaints:

- Weingarten v. priceline.com Incorporated and Jay S. Walker 3:00 CV 1901 (District of Connecticut).
- Twardy v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1884 (District of Connecticut).
- Berdakina v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1902 (District of Connecticut).
- Mazzo v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1924 (District of Connecticut).
- Fialkov v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1954 (District of Connecticut).
- Licht v. priceline.com Incorporated and Jay S. Walker 3:00 CV 2049 (District of Connecticut).
- Ayach v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 2062 (District of Connecticut).
- Zia v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1968 (District of Connecticut).
- Mazzo v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1980 (District of Connecticut).
- Bazag v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 2122 (District of Connecticut).
- Breier v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 2146 (District of Connecticut).
- Farzam et al. v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 2176 (District of Connecticut).
- Caswell v. priceline.com Inc., Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 2169 (District of Connecticut).
- Howard Gunty Profit Sharing Plan v. priceline.com Inc. Richard S. Braddock, Daniel H. Schulman and Jay S. Walker 3:00 CV 1917 (District of Connecticut).

- Cerelli v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 1918 (District of Connecticut)
- Mayer v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 1923 (District of Connecticut)
- Anish v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 1948 (District of Connecticut)
- Atkin v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 1994 (District of Connecticut).
- Lyon v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 2066 (District of Connecticut).
- Kwan v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 2069 (District of Connecticut).
- Krim v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 2083 (District of Connecticut).
- Karas v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 2232 (District of Connecticut).
- Michols v. priceline.com Inc.,
  Richard S. Braddock, Daniel H. Schulman and Jay S. Walker
  3:00 CV 2280 (District of Connecticut).

All of these cases have been assigned to Judge Dominick J. Squatrito. On September 12, 2001, Judge Squatrito Ordered that these cases be consolidated under the Master File No. 3:00cv1884 (DJS), and he designated lead plaintiffs and lead plaintiffs' counsel. On October 29, 2001, plaintiffs served a Consolidated Amended Complaint. On February 5, 2002, Amerindo Investment Advisors, Inc., who is one of the lead plaintiffs in the consolidated action, made a motion for leave to withdraw as lead plaintiff in this action. The court has yet to rule on that motion. On February 28, 2002, the Company filed a motion to dismiss the Consolidated Amended Complaint. That motion has been fully briefed. The Court has yet to rule on that motion. On July 26 and August 1, 2002, the Court issued scheduling orders concerning pretrial proceedings. The Company intends to defend vigorously against this action.

In addition, the Company has been served with a complaint that purports to be a shareholder derivative action against its Board of Directors and certain of its current and former executive officers, as well as the Company (as a nominal defendant). The complaint alleges breach of fiduciary duty and waste of corporate assets. The action is captioned Mark Zimmerman v. Richard Braddock, J. Walker, D. Schulman, P. Allaire, R. Bahna, P. Blackney, W. Ford, M. Loeb, N. Nicholas, N. Peretsman, and priceline.com Incorporated 18473-NC (Court of Chancery of Delaware, County of New Castle, State of Delaware). On February 6, 2001, all defendants moved to dismiss the complaint for failure to make a demand upon the Board of Directors and failure to state a cause of action upon which relief can be granted. Pursuant to a stipulation by the parties, an amended complaint was filed on June 21, 2001. Defendants renewed their motion to dismiss on August 20, 2001, and plaintiff served his opposition to that motion on October 26, 2001. Defendants filed their reply brief on January 7, 2002. Oral argument on that motion was conducted on April 23, 2002, and decision was reserved. The Company intends to defend vigorously against this action.

On March 16, March 26, April 27, and June 5, 2001, respectively, four putative class action complaints were filed in the U.S. District Court for the Southern District of New York naming priceline.com, Inc., Richard S. Braddock, Jay Walker, Paul Francis, Morgan Stanley Dean Witter & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., BancBoston Robertson Stephens, Inc. and Salomon Smith Barney, Inc. as defendants (01 Civ. 2261, 01 Civ.

2576, 01 Civ. 3590 and 01 Civ. 4956). Shives et al. v. Bank of America Securities LLC et al., 01 Civ. 4956, also names other defendants and states claims unrelated to the Company. The complaints allege, among other things, that priceline.com and the individual defendants named in the complaints violated the federal securities laws by issuing and selling priceline.com common stock in priceline.com's March 1999 initial public offering without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had allegedly solicited and received excessive and undisclosed commissions from certain investors. By Orders of Judge Mukasey and Judge Scheindlin dated August 8, 2001, these cases were consolidated for pre-trial purposes with hundreds of other cases, which contain allegations concerning the allocation of shares in the initial public offerings of companies other than priceline.com, Inc. By Order of Judge Scheindlin dated August 14, 2001, the following cases were consolidated for all purposes: 01 Civ. 2261; 01 Civ. 2576; and 01 Civ. 3590. On April 19, 2002, plaintiffs filed a Consolidated Amended Class Action Complaint in these cases. This Consolidated Amended Class Action Complaint makes similar allegations to those described above but with respect to both our March 1999 initial public offering and our August 1999 second public offering of common stock. The named defendants are priceline.com, Inc., Richard S. Braddock, Jay S. Walker, Paul E. Francis, Nancy B. Peretsman, Timothy G. Brier, Morgan Stanley Dean Witter & Co., Goldman Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., Robertson Stephens, Inc. (as successor-in-interest to BancBoston), Credit Suisse First Boston Corp. (as successor-in-interest to Donaldson Lufkin & Jenrette Securities Corp.), Allen & Co., Inc. and Salomon Smith Barney, Inc. Priceline, Richard Braddock, Jay Walker, Paul Francis, Nancy Peretsman, and Timothy Brier, together with other issuer defendants in the consolidated litigation, filed a joint motion to dismiss on July 15, 2002. That motion is now fully briefed, and oral argument occurred on November 1, 2002. The Court's decision was reserved. The Company intends to defend vigorously against these actions.

From time to time, the Company has been and expects to continue to be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights by it. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources and could adversely affect the Company's results of operations and business.

10. TAXES

For the nine months ended September 30, 2002, the Company has recorded no provision for income taxes due to current losses and the availability of previously fully reserved net operating losses which have been utilized to offset the income tax provision.

11. SUBSEQUENT EVENTS

On November 5, 2002, the Company announced a repositioning of its non-travel businesses and a reduction in headcount, each of which will cause a reduction in related expenses. The Company's car service will continue to provide new- and used-car buying information and guaranteed quote requests, but will no longer provide a Name-Your-Own-Price(SM) service, and the Company's telecommunications service will continue to offer long distance calling plans, but will no longer sell Name-Your-Own-Price(SM) calling minutes. The repositioning is designed to reduce operating expenses and focus resources on the Company's travel businesses. As part of the repositioning, the Company reduced its workforce by approximately 65 positions. In connection with the reduction in force and the restructuring of the Company's non-travel businesses, the Company will record a charge in the fourth quarter 2002 of approximately $4 to $5 million, consisting primarily of severance costs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS, INCLUDING THE NOTES TO THOSE STATEMENTS, INCLUDED ELSEWHERE IN THIS FORM 10-Q, AND THE SECTION ENTITLED "SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS" IN THIS FORM 10-Q. AS DISCUSSED IN MORE DETAIL IN THE SECTION ENTITLED "SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS," THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE RESULTS DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE THOSE DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "FACTORS THAT MAY AFFECT FUTURE RESULTS."

OVERVIEW

We have pioneered a unique e-commerce pricing system known as a "demand collection system" that enables consumers to use the Internet to save money on products and services while enabling sellers to generate incremental revenue. Using a simple and compelling consumer proposition - Name Your Own Price(SM) - we collect consumer demand, in the form of individual customer offers, for a particular product or service at a price set by the customer. We then access databases or, in some instances, communicate that demand to participating sellers to determine whether we can fulfill the customer's offer. For most of these transactions, we establish the price we will accept, have total discretion in supplier selection, purchase and take title to the particular product and are the merchant of record. Consumers agree to hold their offers open for a specified period of time and, once fulfilled, offers generally cannot be canceled. We benefit consumers by enabling them to save money, while at the same time benefiting sellers by providing them with an effective revenue management tool capable of identifying and capturing incremental revenues. By requiring consumers to be flexible with respect to brands, sellers and product features, we enable sellers to generate incremental revenue without disrupting their existing distribution channels or retail pricing structures.

Our business model and brand are currently, through us or independent licensees, supporting several products and service offerings, including the following:

- leisure airline tickets, provided by 9 domestic and 26 international airline participants, and travel insurance;

- hotel rooms, in substantially all major United States markets with more than 50 national hotel chains, and in a limited number of markets outside the United States;

- rental cars, in substantially all major United States airport markets with five leading rental car chains as participants;

- fixed-price cruises and cruise packages, through a third party that accesses major cruise lines;

- vacation packages, in many United States markets;

- home financing services, in substantially all major United States markets, which includes home mortgage services, home equity loans and refinancing services;

- long distance calling plans, through a third party long distance carrier, in substantially all United States markets; and

- new and used car buying information and guaranteed quote requests, in substantially all major United States markets.

On November 5, 2002, as part of a repositioning of our non-travel businesses, we announced the discontinuance of our Name-Your-Own-Price(SM) service for the purchase of automobiles and long distance calling, including sales of wireless telephone and service plans. We continue to offer new and used car buying information,

guaranteed quote requests and long distance calling plans.

In certain instances, we have licensed the priceline.com name and demand collection system to third parties to offer a particular product or service (e.g., HOME FINANCING) or to offer a number of products or services in a distinct international region (e.g., ASIA). Pursuant to these license transactions, we generally receive a royalty under the license and may also receive fees for services and reimbursement of certain expenses. We also hold convertible securities entitling us to acquire a significant percentage of each entity's equity securities upon the occurrence of certain events.

Our overall financial prospects are significantly dependant upon our sale of leisure airline tickets and, as a result, the health of our business is directly related to the health of the airline industry. The domestic airline industry has experienced significant revenue declines since the beginning of 2001 and most domestic airlines, and many of our major suppliers, are experiencing severe financial difficulties.

Since the terrorist attacks of September 11, 2001, the major airlines have grounded portions of their fleets and significantly reduced the number of available airline seats. As a result, the amount for which an airline needs to sell an existing seat in order to operate profitably, or even to break even, has increased. Because our business is tailored to marginal leisure travel (those customers who increase an airline's "load factor," but pay less than the prescribed fare set by the airlines), some of this additional cost to the airlines has been passed on to us, as airlines attempt to raise their average yield per passenger. Therefore, while we have not seen a deterioration in the average offer price from customers since September 11, 2001, offer prices are lower in proportion to our cost of supply (which is higher), which has negatively affected our "bind rate," or ability to convert demand to sales. Our bind rate has also been negatively impacted by a reduction in available inventory. We believe that the decreased airline capacity discussed above, and the resulting pressure on load factors on existing flights, has reduced the level of inventory available to us as well as other distribution channels dependent on leisure demand.

We believe that over time, our lower bind rate may negatively impact demand for our airline tickets. Lingering effects of September 11, continued aggressive discounting by the airlines, competition from other on-line distribution channels, and uncertainty regarding the American economy and hostilities in the

Middle East or elsewhere, we believe have, and may continue to, negatively impact our airline ticket demand into 2003. In addition to the factors discussed above, our results for the third quarter were negatively impacted by unusually low sales of airline tickets in September 2002. While September is historically a slow month in the airline industry, we believe that consumer anxiety related to the first anniversary of the September 11 terrorist attacks contributed to an industry-wide decrease in sales of airline tickets in September 2002.

As a result, near term forecasting is very difficult and we are not currently forecasting a recovery in the airline industry or an improvement during 2003 in our airline ticketing business.

Another important trend in our industry is the growing number of travel providers competing for share in the online travel market. Consumers have accepted the idea that the Internet is an important tool in researching travel plans and destinations and a secure, convenient and cost effective way to make travel reservations. As a result, the number of companies focusing on and exclusively providing these services is growing. As competition in this marketplace has increased, and continues to do so, we have seen, and expect to continue to see, downward margin pressure. See "FACTORS THAT MAY AFFECT FUTURE RESULTS--INTENSE COMPETITION COULD REDUCE OUR MARKET SHARE AND HARM OUR FINANCIAL PERFORMANCE."

We intend to combat these trends by continuing to develop our non-air business, in particular our hotel and vacation packages businesses, for which demand remains strong, and to evaluate and implement ways to improve offer quality and our bind rate. However, further terrorist attacks, hostilities in the Middle East, the bankruptcy or insolvency of a major domestic airline or the withdrawal from our system of a major airline or hotel supplier could adversely affect our business and results of operations.

A number of travel suppliers, particularly airlines, have indicated publicly that as part of an effort to reduce distribution costs they intend to reduce their dependence over time on what they view to be "expensive" global distribution systems (GDSs) like Worldspan and intend to reduce the amount of fees paid to such GDSs. To this end, a number of travel providers have required that websites rebate to the travel provider all or part of the reservation booking fees associated with each airline ticket or hotel room booking obtained by the website from the GDS used to book the airline ticket or hotel room. For example, Orbitz shares with certain of its airline participants the fees remitted by Worldspan to Orbitz. We have been and believe that we will continue to be under pressure from our travel suppliers to rebate to our suppliers all or a portion of the Worldspan reservation booking fee we receive in connection with the sale of airline tickets and hotel rooms. To the extent we are required to forego all or a significant portion of the Worldspan distribution fees we currently receive, it could have a material adverse effect on our financial condition and results of operations. In addition, on November 12, 2002, the Department of Transportation issued a notice of proposed rulemaking that proposed to eliminate several existing provisions that regulated GDSs, including eliminating the requirement that each airline with an ownership in a GDS participate in competing systems at the same level at which it participates in its own. At this time, we are unable to assess the long-term impact adoption of these proposed rules would have on our business.

On July 31, 2002, we announced that our board of directors authorized the repurchase of up to $40 million of our common stock from time to time in the open market or in privately negotiated transactions. In addition, we announced that Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, who together own approximately 34% of our outstanding common stock, had informed us that they may purchase up to an additional $40 million of priceline.com common stock in the open market or in privately negotiated transactions. As of September 30, 2002, we repurchased 5,387,717 shares of our common stock as part of our stock repurchase program. Whether and when to complete any purchase of common stock and the amount of common stock purchased will be determined by each company in its complete discretion. Any repurchase by us may or may not occur simultaneously or be coordinated with any purchases of common stock by Cheung Kong and Hutchison Whampoa. As of September 30, 2002, there were approximately 224.7 million shares of our common stock outstanding.

On July 31, 2002, we announced the promotion of several executives and the corresponding re-alignment of our operating and management structure. Jeffery H. Boyd, our former President and Chief Operating Officer, was named President and Co-Chief Executive Officer. He will share CEO responsibilities with Chairman Richard S. Braddock. Mitch Truwit, former Executive Vice President, Operations, was named as our new Chief Operating Officer. In addition, the scope of the position of Chief Operating Officer was restructured so that the position will oversee our airline tickets, rental cars, mortgage and telecommunications products and operations, as well as customer service, public relations and our international initiatives. Chris Soder, formerly President, Lodging, Automotive and Business Development, was named an Executive Vice President.

On August 11, 2002, U.S. Airways Group, Inc. announced that it had filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. In its announcement, U.S. Airways stated that it had adequate resources to fulfill all of its obligations to customers while it restructures and that all tickets on U.S. Airways would continue to be honored and accepted. Our four largest airline suppliers, American Airlines, Delta Air Lines, United Airlines and U.S. Airways, together accounted for approximately 84% of our airline ticket revenue in the third quarter of 2002. While we do not expect U.S. Airways' bankruptcy filing to have a material adverse effect on our business and results of operations over the near term, we are unable at this time to assess the long-term impact of U.S. Airways' bankruptcy filing on our business. If any of our four largest airline suppliers were unable or unwilling to participate in our system, as a result of bankruptcy, voluntary withdrawal, or otherwise, our business and results of operations would be materially and adversely affected. See "FACTORS THAT MAY AFFECT FUTURE RESULTS - WE ARE DEPENDENT ON THE AIRLINE INDUSTRY AND CERTAIN AIRLINES."

We believe that our success will depend in large part on our ability to achieve sustained profitability, primarily from our travel business, to continue to promote the priceline.com brand and, over time, to offer other products and services on our website. We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve operating results. Our goal is to increase operating profits and improve gross margins in an effort to achieve and maintain profitability. Our limited operating history and the uncertain competitive environment described above makes the prediction of future results of operations difficult, and accordingly, we cannot assure you that we will maintain revenue growth or achieve and maintain profitability.

RECENT DEVELOPMENTS

On November 5, 2002, we announced a repositioning of our non-travel businesses and a reduction in headcount, each of which will cause a reduction in related expenses. Our car service will continue to provide new-and used-car buying information and guaranteed quote requests, but will no longer provide a Name-Your-Own-Price(SM) service, and our telecommunications service will continue to offer long distance calling plans, but will no longer sell Name-Your-Own-Price(SM) calling minutes. The repositioning is designed to reduce operating expenses and focus resources on our travel businesses. As part of the repositioning, we reduced our workforce by approximately 65 positions. In connection with the reduction in force and the restructuring of our non-travel businesses, we will record a charge in the fourth quarter 2002 of approximately $4 to $5 million, consisting primarily of severance costs.

RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001

REVENUES

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONTHS ENDED SEPTEMBER 30, ($000)		% CHAN
	2002	2001		2002	2001	
TRAVEL REVENUES.....	$ 238,121	$ 299,793	(20.6%)	$ 800,902	$ 929,305	(13.
OTHER REVENUES......	1,843	2,196	(16.1%)	5,403	7,144	(24.
TOTAL REVENUES......	$ 239,964	$ 301,989	(20.5%)	$ 806,305	$ 936,449	(13.

TRAVEL REVENUES

Travel revenues for the three and nine months ended September 30, 2002 and 2001 consisted primarily of: (1) transaction revenues representing the selling price of airline tickets, hotel rooms and rental cars; and (2) ancillary fees, including Worldspan reservation booking fees and customer processing fees offered in connection with the sale of airline tickets, hotel rooms and rental cars.

During the three months ended September 30, 2002, we sold approximately 644,000, 1,145,000 and 741,000 airline tickets, hotel room nights and rental car days, respectively. During the nine months ended September 30, 2002, we sold approximately 2.4 million, 3.1 million and 2.3 million airline tickets, hotel room nights and rental car days, respectively. During the three months ended September 30, 2001, we sold approximately 1.2 million, 879,900 and 895,600 airline tickets, hotel room nights and rental car days, respectively. During the nine months ended September 30, 2001, we sold approximately 3.7 million, 2.0 million and 2.4 million airline tickets, hotel room nights and rental car days, respectively. We believe that the 46% decrease in the number of airline tickets sold during the three months ended September 30, 2002, from the same period a year ago, was due primarily to the relatively lower customer offer prices in proportion to our cost of supply, as increases in our inventory costs exceeded increases in our average offer prices for airline tickets. Additionally, reduced airline capacity has caused a reduction in the inventory of airline seats available to us. These factors have affected our ability to bind customer offers and have negatively impacted our travel revenues. The impact of the decrease in the sale of airline tickets has been partially offset by an increase in the number of hotel room nights sold.

Our "bind" rate is the percentage of unique offers that we ultimately fulfill. Each initial offer and any resubmitted offers are treated as a single offer - a unique offer - for purposes of measuring our total offer volume and our offer fulfillment rates. Our "bind rate" for all unique airline ticket, hotel room and rental car offers were as follows:

			UNIQUE OFFERS FOR
		AIRLINE TICKETS	HOTEL ROOMS
THREE MONTHS ENDED	SEPTEMBER 30, 2002	36.9%	58.0%
THREE MONTHS ENDED	SEPTEMBER 30, 2001	53.9%	61.0%
NINE MONTHS ENDED	SEPTEMBER 30, 2002	39.8%	61.4%
NINE MONTHS ENDED	SEPTEMBER 30, 2001	54.2%	59.0%

As discussed in the overview to our Management's Discussion and Analysis of Financial Condition and Results of Operations, we believe that our travel revenues and bind rate have been negatively impacted by the weak retail fare environment for airline tickets and reduced airline inventory available to us. In particular, we believe that lower retail pricing causes customers who might normally be willing to make the trade-off associated with our products in exchange for savings off of relatively high retail rates, to purchase travel products at the lower retail rates without having to make any trade-offs. In addition, many airlines grounded portions of their fleets in the aftermath of the attacks of September 11, thus decreasing capacity and increasing load factors on existing flights, which we believe reduced airline inventory available to us. In an effort to increase yields, some airlines have also raised our cost or limited inventory in certain circumstances. These trends, which negatively impacted our revenues and bind rate in the fourth quarter of 2001, continued through the first three quarters of 2002 and we believe will extend into the fourth quarter of 2002 and into 2003.

We added approximately 825,000 and 2.7 million new customers during the three and nine months ended September 30, 2002 as compared to 927,300 and 2.8 million new customers during the three and nine months ended September 30, 2001. In addition, we generated approximately 1.7 and 5.1 million repeat customer offers during the three and nine months ended September 30, 2002, respectively, as compared to 1.6 and 4.4 million repeat customer offers during the three and nine months ended September 30, 2001, respectively.

Travel revenues for the three months ended September 30, 2002 decreased approximately 20.6% to $238 million from $300 million for the three months ended September 30, 2001. Travel revenues for the nine months ended September 30, 2002 decreased approximately 13.8% to $801 million from $929 million for the nine months ended September 30, 2001. These decreases are primarily attributable to the factors described above.

OTHER REVENUES

Other revenues during the three and nine months ended September 30, 2002 and 2001 consisted primarily of: (1) transaction revenues and fees from our long distance phone service; (2) commissions and fees from our home financing and automobile services; (3) license fees from our international licensees; and (4) marketing revenues.

Other revenues for the three and nine months ended September 30, 2002 decreased approximately 16.1% and 24.4%, respectively, from the same periods a year ago, primarily as a result of the decrease in revenues from our long distance phone service. As discussed in Recent Developments above, we have repositioned our car and telecommunications services.

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COST OF REVENUES AND GROSS PROFIT

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MO SEPTE ($
	2002	2001		2002
COST OF TRAVEL REVENUES..........	$ 201,949	$ 250,952	(19.5%)	$ 677,432
% OF TRAVEL REVENUES.........	84.8%	83.7%		84.6%
COST OF OTHER REVENUES...........	$ 274	$ 605	(54.7%)	$ 991
% OF OTHER REVENUES..........	14.9%	27.6%		18.3%
TOTAL COST OF REVENUES...........	$ 202,223	$ 251,557	(19.6%)	$ 678,423
% OF REVENUES................	84.3%	83.3%		84.1%

COST OF REVENUES

COST OF TRAVEL REVENUES. For the three and nine months ended September 30, 2002 and 2001, cost of travel revenues consisted primarily of: (1) the cost of airline tickets from our suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; (2) the cost of hotel rooms from our suppliers, net of hotel tax; and (3) the cost of rental cars from our suppliers, net of applicable taxes. While the cost of travel revenues decreased in total dollars due to reduced sales volume, the relative cost of travel revenues as a percentage of travel revenues increased due to the higher cost of airline tickets from our suppliers.

COST OF OTHER REVENUES. For the three and nine months ended September 30, 2002 and 2001, cost of other revenues consisted of the cost of long distance telephone service provided by our suppliers.

GROSS PROFIT

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONTHS E SEPTEMBER ($000)
	2002	2001		2002
TRAVEL GROSS PROFIT............	$ 36,172	$ 48,841	(25.9%)	$ 123,470
TRAVEL GROSS MARGIN.........	15.2%	16.3%		15.4%
OTHER GROSS PROFIT.............	$ 1,569	$ 1,591	(1.4%)	$ 4,412

OTHER GROSS MARGIN..........	85.1%	72.4%		81.7%
TOTAL GROSS PROFIT............	$ 37,741	$ 50,432	(25.2%)	$ 127,882
TOTAL GROSS MARGIN..........	15.7%	16.7%		15.9%

TRAVEL GROSS PROFIT. Travel gross profit consists of travel revenues less the cost of travel revenues. We are able to manage the level of gross margin by controlling the price at which we will cause offers to be fulfilled. For the three- and nine-month periods ended September 30, 2002, travel gross profit and related travel gross margin decreased from the same periods in 2001 due to pressure on our bind rate and margin for airline tickets due to the factors discussed above. This was partially mitigated by an increase in travel gross profit from the growth in sales of

our hotel service. The reduction in travel revenues and increased cost of travel revenues also negatively impacted total gross profit and related total gross margin.

OPERATING EXPENSES

SALES AND MARKETING

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONTHS EN SEPTEMBER 3 ($000)	
	2002	2001		2002	
ADVERTISING.....................	$ 11,649	$ 9,600	21.3%	$ 34,653	$
OTHER SALES AND MARKETING..........	9,145	20,410	(55.2%)	31,522	
TOTAL...........................	$ 20,794	$ 30,010	(30.7%)	$ 66,175	$
% OF REVENUES...................	8.7%	9.9%		8.2%	

Sales and marketing consists of advertising expenses and other sales and marketing expenses. Advertising expenses consist primarily of: (1) television and radio advertising; (2) online and e-mail advertisements; and (3) agency fees, creative talent and production costs for television and radio commercials. For the three months ended September 30, 2002, advertising expenses increased over the same period in 2001 primarily due to the timing of the launch of our television advertisements and our increase in on-line advertising. For the nine months ended September 30, 2002, advertising expenses decreased over the same period in 2001 primarily due to the decrease in television advertising which was partially offset by an increase in on-line and radio advertising. In the third quarter 2002, sales and marketing expenses benefited from the favorable resolution of certain previous obligations offset by additional advertising expenditures in the third quarter. The net result of these items did not have a material impact on either the total sales and marketing expense or the total operating results for the quarter. In 2001, we began shifting the focus of our marketing resources from traditional areas of marketing such as television, toward radio advertising and online marketing. We intend to continue to pursue an advertising and branding campaign in order to continue to attract new users and retain existing users. In addition, we expect to increase our advertising expenditures in the first quarter of 2003 and anticipate that we will have one of our largest quarterly advertising expenditures in almost two years in that period.

Other sales and marketing expenses consist primarily of: (1) credit card processing fees; (2) provisions for credit card charge-backs; (3) fees paid to third-party service providers that operate our call centers; and (4) compensation for our sales and marketing personnel. For the three and nine months ended September 30, 2002, other sales and marketing expenses decreased from the same period in 2001 due to the variable nature of these costs and the overall reduction in related sales volume, and by a reduction in the absolute amount of credit card charge-backs.

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GENERAL AND ADMINISTRATIVE

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONTHS SEPTEMBER ($000)
	2002	2001		2002
GENERAL AND ADMINISTRATIVE..........	$ 7,459	$ 6,069	22.9%	$ 21,883
PAYROLL TAX EXPENSE ON EMPLOYEE STOCK OPTIONS......................	-	297	(100.0%)	120
STOCK BASED COMPENSATION............	250	1,015	(75.4%)	750
TOTAL...............................	$ 7,709	$ 7,381	(4.4%)	$ 22,753
% OF REVENUES.......................	3.2%	2.4%		2.8%

General and administrative expenses consist primarily of: (1) costs for personnel; (2) occupancy expenses; (3) telecommunications costs; and (4) fees for outside professionals. For the three months ended September 30, 2002, general and administrative expenses increased over the same period in 2001 primarily as a result of an increase in our directors and officers insurance premium and an increase in costs due to the consolidation of our European operations. General and administrative expenses decreased during the nine months ended September 30, 2002 from the same period in 2001 as a result of a decrease in legal fees and telecom expenses, partially offset by an increase in costs due to the consolidation of our European operations. For the three and nine months ended September 30, 2002, stock based compensation decreased over the same periods in 2001 as a result of the completion of the amortization of restricted stock.

SYSTEMS AND BUSINESS DEVELOPMENT

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONT SEPTEMB ($00
	2002	2001		2002
SYSTEMS AND BUSINESS DEVELOPMENT........................	$ 10,138	$ 10,160	(0.2%)	$ 31,191

% OF REVENUES......................	4.2%	3.4%	3.9%

Systems and business development expenses consist primarily of: (1) compensation to our information technology and product development staff; (2) depreciation and amortization on computer hardware and software; (3) payments to outside contractors; and (4) data communications and other expenses associated with operating our Internet site. For the three and nine months ended September 30, 2002, systems and business development expenses remained relatively the same as the same periods in 2001. In the third quarter 2002, systems and business development expenses were impacted by certain adjustments related to the favorable resolution of certain outstanding obligations. In the absence of such adjustments in the third quarter 2002, systems and business development expense would have been approximately 9.4% higher than the amount recorded during the three months ended September 30, 2001, and 3.2% higher than the amount recorded during the nine months ended September 30, 2001.

RESTRUCTURING AND SPECIAL CHARGES

During 2002, we decreased the liability for the 2000 restructuring charge by approximately $2.9 million. The reductions resulted from the subleasing of office space under more favorable terms than originally anticipated (reflected in the "restructuring and special charge (reversal)" line of the statement of operations) and disbursements made during the year.

During 2002, we decreased the liability for the 2000 special charge by approximately $2.5 million. The reductions primarily resulted from the favorable resolution of certain matters partially offset by other required charges (reflected in the "restructuring and special charge (reversal)" line of the statement of operations) and disbursements made during the year.

IMPAIRMENTS IN INVESTMENTS OF LICENSEES

During the third quarter of 2002 we performed impairment tests and determined that the carrying amount of goodwill of $22.5 million related to our European licensee exceeded its implied fair value by approximately $12 million and accordingly recorded an impairment charge of $12 million. The fair value was determined by third party valuations using generally accepted valuation techniques including the market value of comparable companies (including revenue multiple methodology) and discounted cash flow. Underlying the impairment was a continued decline in the market value of priceline.com's common stock, which we review quarterly as an indicator of possible impairment of priceline.com europe Ltd.'s carrying value, a deterioration in priceline.com europe Ltd.'s operations caused primarily by increasingly competitive conditions among European online travel companies and a decision in the third quarter of 2002 to reconfigure product offerings.

During the third quarter of 2002 we performed a periodic evaluation of the progress of the operations of Hutchison Priceline Limited. Factors including increasing negative variances in key operating metrics such as negative gross margins and continuing operating losses, negative net asset position and an increasingly competitive operating environment led us to determine that the carrying value of our convertible note no longer reflected its fair value. Accordingly, we recorded an impairment charge. Estimated fair value was determined using cash flow estimates and a review of the market value of comparable companies including the consideration of the decline in our market value and through discussion with third party valuation specialists. We may elect to make additional investments in Hutchison Priceline Limited in the future.

INTEREST INCOME

	THREE MONTHS ENDED SEPTEMBER 30, ($000)		% CHANGE	NINE MONTHS SEPTEMBER ($000)
	2002	2001		2002
INTEREST INCOME....................	$ 656	$ 2,062	(68.2%)	$ 2,226

For the three- and nine-months ended September 30, 2002, interest income on cash and marketable securities decreased primarily due to a lower cash balance and lower interest rates.

EQUITY IN NET INCOME OF PRICELINEMORTGAGE

Equity in net income of pricelinemortgage for the three and nine months ended September 30, 2002, of $394,000 and $1.1 million represents the Company's pro rata share of income from the Company's 49% equity investment in pricelinemortgage. For the three and nine months ended September 30, 2001, equity in net income of pricelinemortgage was $34,000.

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TAXES

For the three and nine months ended September 30, 2002, we have recorded no provision for income taxes due to current losses and the availability of fully reserved net operating losses which have been utilized to offset the income tax provision.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 146 will be effective for us for disposal activities initiated after December 31, 2002. We will adopt the new standard January 1, 2003.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2002 we had approximately $152.5 million in cash and cash equivalents, short-term investments and restricted cash. Approximately $18.2 million is restricted cash collateralizing certain letters of credit issued in favor of certain suppliers and landlords and amounts held by our credit card processor company. We

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generally invest excess cash, cash equivalents and short-term investments predominantly in debt instruments that are highly liquid, of high-quality investment grade, and predominantly have maturities of less than one year with the intent to make such funds readily available for operating purposes.

Because we collect cash up front from our customers and then pay our suppliers over a ten to fifteen day period, we tend to experience significant swings in supplier payables depending on the absolute level of our cost of revenue during the last few weeks of every quarter. This can cause volatility in working capital levels and impact cash balances more or less than our operating income would indicate.

Net cash provided by operating activities was $2.0 million for the nine months ended September 30, 2002. Depreciation and amortization and other non-cash items, including the impairments of investments in licensees, affected our cash provided by operating activities by $37.5 million. A decrease in accounts payable of $17.6 million reduced cash provided by operating activities. Net cash provided by operating activities during the period ended September 30, 2001 was $5.2 million. This was primarily attributable to changes in working capital and operations, primarily accounts receivables and accounts payables.

Net cash used in investing activities was $26.3 million and $36.0 million for the nine months ended September 30, 2002 and 2001, respectively. In both periods, net cash used in investing activities was partially related to purchases of property and equipment. Also affecting net cash used in investing activities in the nine months ended September 30, 2002 and September 30, 2001 was the purchase of short-term investments and marketable securities in the amount of $18.2 million and $35.1 million, respectively.

We have certain commitments for capital expenditures as part of our ongoing business cycle. None of these commitments are material to our financial position either individually or in the aggregate. Expenditures for additions to property and equipment, is expected to aggregate approximately $10.0 to $12.0 million in 2002. On July 31, 2002, our board of directors authorized the repurchase of up to $40 million of common stock from time to time in the open market or in privately negotiated transactions. As part of the stock repurchase program, we purchased 5,387,717 shares of our common stock for our treasury during the period ended September 30, 2002 at an aggregate cost of approximately $11.8 million.

Net cash used in financing activities was $8.6 million for the nine months ended September 30, 2002. This was primarily the result of our repurchase of our common stock, which was partially offset by proceeds from the exercise of employee stock options. Net cash provided by financing activities was $52.8 million for the nine months ended September 30, 2001, and was primarily the result of the sale of 23.8 million shares of common stock at a price of $2.10 per share to Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in February 2001. Based on public filings with the Securities and Exchange Commission, Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited collectively owned approximately 34% of our outstanding common stock as of September 30, 2002. See "FACTORS THAT MAY AFFECT FUTURE RESULTS - TWO LARGE STOCKHOLDERS BENEFICIALLY OWN APPROXIMATELY 34% OF OUR STOCK."

We may elect to make additional investments in Hutchison Priceline Limited in the future.

We believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, any share repurchases, capital expenditures and other obligations through at least the next twelve months. However, if during that period or thereafter, we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned capital expenditures and scale back the scope of our business plan, either of which could have a material adverse effect on our projected financial condition or results of operations. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then current stockholders would be diluted. We cannot assure you that we will generate sufficient cash flow from operations in the future, that revenue growth will be realized or that future borrowings or equity contributions will be available in amounts sufficient to make anticipated capital expenditures or finance our business plan.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Sections of this Form 10-Q including, in particular, our Management's Discussion and Analysis of Financial Condition and Results of Operations above, contain forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements.

Expressions of future goals and similar expressions including, without limitation, "may," "will," "should," "could," "expects," "does not currently expect," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "targets," or "continue," reflecting something other than historical fact are intended to identify forward-looking statements. The following factors, among others, could cause our actual results to differ materially from those described in the forward-looking statements: adverse changes in general market conditions for leisure and other travel products as the result of, among other things, terrorist attacks or hostilities; adverse changes in our relationships with airlines and other product and service providers, including, without limitation, the withdrawal of providers from the priceline.com system; the bankruptcy or insolvency of a major domestic airline; the effects of increased competition; systems-related failures and/or security breaches; our ability to protect our intellectual property rights; losses by us and our licensees; legal and regulatory risks and the ability to attract and retain qualified personnel. These factors and others are described in more detail below in the section entitled "Factors That May Affect Future Results." Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the reports and documents we file from time to time with the Securities and Exchange Commission, particularly the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

FACTORS THAT MAY AFFECT FUTURE RESULTS

THE FOLLOWING RISK FACTORS AND OTHER INFORMATION INCLUDED IN THIS FORM 10-Q SHOULD BE CAREFULLY CONSIDERED. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES WE FACE. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS OPERATIONS. IF ANY OF THE FOLLOWING RISKS OCCUR, OUR BUSINESS, FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS COULD BE MATERIALLY ADVERSELY AFFECTED.

WE MAY CONTINUE TO INCUR LOSSES

As of September 30, 2002, we had an accumulated deficit of $1.6 billion. Despite the progress we have made towards profitability, we may incur losses and may not be profitable in future years. In particular, a depressed retail environment for the sale of airline tickets and the general decline in leisure travel since the events of September 11, 2001 have had a negative impact on our business and results of operations. We may not have decreased our operating expenses in connection with our recently announced restructuring on an on-going basis sufficiently to achieve and sustain profitability in this difficult operating environment.

WE ARE DEPENDENT ON THE AIRLINE INDUSTRY AND CERTAIN AIRLINES

Our financial prospects are significantly dependent upon our sale of leisure airline tickets. Sales of leisure airline tickets represented a substantial majority of total revenue for the quarter ended September 30, 2002. Leisure travel, including the sale of leisure airline tickets, is dependent on personal discretionary spending levels. As a result, sales of leisure airline tickets and other leisure travel products tend to decline during general economic downturns and recessions. In addition, unforeseen events, such as terrorist attacks, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns also may adversely affect the leisure travel industry. As a result, our business also is likely to be affected by those events. Further, work stoppages or labor unrest at any of the major airlines could materially and adversely affect the airline industry and, as a consequence, our business.

Sales of airline tickets from our five largest airline suppliers accounted for approximately 89.6% and 79.5% of airline ticket revenue for the nine months ended September 30, 2002 and 2001, respectively. As a result, currently we are substantially dependent upon the continued participation of these airlines in the priceline.com service in order to maintain and continue to grow our total airline ticket revenues and, as a consequence, our overall revenues.

We currently have 35 participating airlines. However, our arrangements with the airlines that participate in our system:

- do not require the airlines to make tickets available for any particular routes;

- do not require the airlines to provide any specific quantity of airline tickets;

- do not require the airlines to provide particular prices or levels of discount;

- do not require the airlines to deal exclusively with us in the public sale of discounted airline tickets;

- often limit the manner in which we can sell inventory and, in the case of our agreement with Delta Air Lines, substantially limits which airlines can participate in our system and may prevent our ability to add low cost carriers (such as Southwest or Jet Blue) to our system; and

- generally, can be terminated upon little or no notice.

As a general matter, during the course of our business, we are in continuous dialogue with our major airline suppliers about the nature and extent of their participation in the priceline.com system. In the second quarter 2002, Northwest Airlines terminated its Airline Participation Agreement with us. Should any of our other major suppliers significantly reduce their participation in the priceline.com system for a sustained period of time or withdraw completely, our business and results of operations could be materially and adversely affected.

Due to our dependence on the airline industry, we could be severely affected by changes in that industry, and, in many cases, we will have no control over such changes or their timing. For example, we believe that our business has been adversely affected by the general reduction in airline capacity and increase in airline load factors since September 11, 2001. Further, in the aftermath of the September 11, 2001 terrorist attacks, several major U.S. airlines are struggling financially and have either filed for reorganization under the United States Bankruptcy Code or discussed publicly the risks of bankruptcy. To the extent one of the major U.S. airlines that participates in our system declared bankruptcy, it may be unable or unwilling to honor tickets sold for its flights. Our policy in such event would be to direct customers seeking a refund or exchange to the airline, and not to provide a remedy ourselves. Because we are the merchant-of-record on sales of airline tickets to our customers, however, we could experience a significant increase in demands for refunds or credit card charge-backs from customers which would materially and adversely affect our business. In addition, because our customers do not choose the airlines on which they are to fly, the bankruptcy of a major U.S. airline or the possibility of a major U.S. airline declaring bankruptcy could discourage customers from booking airline tickets through us.

In addition, given the concentration of the airline industry, particularly in the domestic market, major airlines that are not participating in the priceline.com service, or our competitors, could exert pressure on other

airlines not to supply us with tickets. Moreover, the airlines may attempt to establish their own buyer-driven commerce service or participate or invest in other similar services, like Hotwire, a website that offers discounted fares on opaque inventory, or Orbitz, that compete directly with us.

THE BANKRUPTCY, DISCONTINUANCE OR CONSOLIDATION OF OUR SUPPLIERS COULD HARM OUR BUSINESS

We are heavily dependant on our suppliers. In the event that one of our major suppliers voluntarily or involuntarily declares bankruptcy, is unable to successfully emerge from bankruptcy, and we are unable to replace such supplier, our business would be adversely affected. In addition, as discussed in "WE ARE DEPENDENT ON THE AIRLINE INDUSTRY AND CERTAIN AIRLINES," because our customers do not choose the airline, hotel or rental car company on which they are booked, the bankruptcy of a major supplier or even the possibility of a major supplier declaring bankruptcy, could discourage consumers from booking their travel products through us. As of November 7, 2002, three of the five rental car brands that supply our rental car business are currently under the protection of the bankruptcy laws. If any or all of such companies discontinue their business, and we are unable to find other suppliers, our business would suffer. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - RECENT DEVELOPMENTS."

If one of our major suppliers merges or consolidates with, or is acquired by, another company who either does not participate in the priceline.com system or who participates on substantially lower levels, the surviving company may elect not to participate in our system or to participate at lower levels than they were previously participating. In such event, if we are unable to divert sales to other suppliers, our business could be adversely affected.

INTENSE COMPETITION COULD REDUCE OUR MARKET SHARE AND HARM OUR FINANCIAL PERFORMANCE

We compete with both online and traditional sellers of the products and services offered on priceline.com. Current and new competitors can launch new sites at a relatively low cost. In addition, the traditional retail industry for the products and services we offer is intensely competitive. In 2001, we saw the continuation of a trend in the online travel industry toward vertical integration. For example, in October 2001, Cendant Corporation, a diversified global provider of business and consumer services which owns, among other things, Avis and is the world's largest franchiser of hotels, purchased online travel provider Cheaptickets.com as well as Galileo International, Inc., a global distribution system. In addition, in February 2002, USA Networks, Inc., which owns a controlling stake in Hotels.com, acquired a controlling stake in Expedia, Inc. If this trend continues, we might not be able to effectively compete with industry conglomerates that have access to greater and more diversified resources than we do.

We currently or potentially compete with a variety of companies with respect to each product or service we offer. With respect to travel products, these competitors include:

- Internet travel services such as Expedia, Travelocity.com, Orbitz, Trip.com, Hotels.com and Hotwire, a website that offers discounted fares on opaque inventory;

- traditional travel agencies;

- consolidators and wholesalers of airline tickets and other travel products, including online consolidators such as Hotel Reservation Network and Cheaptickets.com;

- individual or groups of airlines, hotels, rental car companies, cruise operators and other travel service providers (all of which may provide services by telephone or through a website); and

- operators of travel industry reservation databases such as Worldspan and Sabre.

A number of airlines, including a number that participate in our system, have invested in and offer discount airfares and travel services through the Orbitz internet travel service, and a number of airlines, including a number that participate in our system, participate in and have received an equity stake from Hotwire. The June 2001 launch of Orbitz has had a strong impact on the online travel industry. Specifically, because Orbitz is airline-owned, it is in a position to forego certain revenue streams upon which other online travel suppliers may be dependant, such as commissions and global distribution system fees. Orbitz's prices, which unlike ours, are disclosed to the consumer, have typically been lower than other online travel providers offering disclosed price fares.

Hotwire, which was launched in October 2000, provides airline tickets, hotel room nights and rental car reservations at disclosed prices, although supplier identity and flight times remain opaque. Since its launch, Hotwire has been successful in establishing itself in the online travel marketplace, through aggressive advertising which has had the effect of decreasing our market share. If we are unable to effectively compete with Hotwire, our results will suffer. In addition, in February 2002, several major hotel brands announced the creation of Hotel Distribution System, a joint venture to market hotel rooms over the Internet through multiple websites. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

With respect to financial service products, our competitors include banks and other financial institutions, and online and traditional mortgage and insurance brokers, including mortgage.com, Quicken Mortgage, E-Loan, LendingTree and iOwn, Inc.

We potentially face competition from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic, including Amazon.com and Yahoo!, who could choose to compete with us either directly or indirectly through affiliations with other e-commerce or off-line companies. Other large companies with strong brand recognition, technical expertise and experience in Internet commerce could also seek to compete with us. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

Many of our current and potential competitors, including Internet directories and search engines and large traditional retailers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, technical and other resources than we have. Some of these competitors may be able to secure products and services on more favorable terms than we can. In addition, many of these competitors may be able to devote significantly greater resources to: (1) marketing and promotional campaigns, (2) attracting traffic to their websites, (3) attracting and retaining key employees, (4) securing vendors and inventory and (5) website and systems development.

Increased competition could result in reduced operating margins and loss of market share and could damage our brand. There can be no assurance that we will be able to compete successfully against current and future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition.

FURTHER TERRORIST ATTACKS OR HOSTILITIES OR THE FEAR OF FUTURE ATTACKS COULD HAVE A NEGATIVE IMPACT ON OUR COMPANY

Our business, like most in the travel industry, was directly and adversely impacted by the terrorist attacks of September 11, 2001. We experienced an immediate and substantial decline in demand for our travel products in the days following the attacks and a significant increase in customer service costs and ticket refunds and cancellations. Airline bookings in September 2002 were especially weak, attributable in part to fears surrounding the anniversary of the September 11, 2001 terrorist attacks. Further terrorist attacks, the fear of future attacks or hostilities within the United States or abroad (whether or not such attacks involve commercial aircraft) or continued or increased hostilities in the Middle East or elsewhere, are likely to contribute to a general reluctance by the public to travel by air and, as a result, to affect our business and results of operations materially and adversely.

NEW BUSINESSES WE MAY ENTER OR OUR EXISTING LICENSEES MAY NOT BE SUCCESSFUL

We have entered into, and may enter into in the future, licensing or other arrangements with third parties in connection with the expansion of the priceline.com service. For example, we license our name and business model to pricelinemortgage in connection with our home financing services and to priceline.com europe and Hutchison Priceline in connection with the development of our business model in Europe and Asia, respectively. These new businesses typically incur start-up costs and operating losses and may not be successful. Both priceline.com europe and Hutchison Priceline have operating losses and will continue to have operating losses for the foreseeable future. If these new businesses are not favorably received by consumers or are unsuccessful, the association of our brand name and business model with these new entities may adversely affect our business and reputation and may dilute the value of our brand name. Further, to the extent that these new businesses are not successful, we may not be able to recover or be reimbursed for our ongoing costs associated with their development and our investment could be impaired, including any future investments we may make, which could have a material adverse effect on our business and results of operations.

We recorded approximately $23.6 million of goodwill on our balance sheet as a result of our acquisition of priceline.com europe at the end of 2001. During the third quarter of 2002 we performed impairment tests and determined that the carrying amount of goodwill exceeded its implied fair value by approximately $12 million and accordingly recorded an impairment charge of $12 million.

We may elect to make additional investments in Hutchison Priceline Limited in the future.

OUR BUSINESS IS EXPOSED TO RISKS ASSOCIATED WITH CREDIT CARD FRAUD AND CHARGE-BACKS

To date, our results have been impacted by purchases made using fraudulent credit cards. Because we act as the merchant-of-record, we are held liable for fraudulent credit card transactions on our website as well as other payment disputes with our customers. Accordingly, we calculate and record an allowance for the resulting credit card charge-backs. During the second half of 2001, we launched a company-wide credit card charge-back reduction project aimed at preventing fraud. To date, this project has been successful in reducing fraud; however, if we are unable to continue to reduce the amount of credit card fraud on our website, our business could be adversely affected.

POTENTIAL FLUCTUATIONS IN OUR FINANCIAL RESULTS MAKE FINANCIAL FORECASTING DIFFICULT

Our revenues and operating results have varied significantly from quarter to quarter and our revenues and operating results may continue to vary significantly from quarter to quarter. As a result, quarter to quarter comparisons of our revenues and operating results may not be meaningful. In addition, due to our limited operating history, a business model that is, especially when compared to "brick and mortar" companies, still relatively new and unproven, and an uncertain environment in the travel industry, it may be difficult to predict our future revenues or results of operations accurately. In late 2000, our operating results fell below the expectations of securities analysts and investors and may, in one or more future quarters, fall below such expectations again. If this happens, the trading price of our common stock would almost certainly be materially and adversely affected.

WE MAY NOT BE ABLE TO INTRODUCE NEW PRODUCTS AND SERVICES

Should we decide to introduce additional products, we may incur substantial expenses and use significant resources. However, we may not be able to attract sellers, other participants and licensees to provide such products and services or consumers to purchase such products and services through the priceline.com service. In addition, if we or our licensees launch new products or services that are not favorably received by consumers, our reputation and the value of the priceline.com brand could be damaged.

The great majority of our experience to date is in the travel industry. The travel industry is characterized by "expiring" inventories. For example, if not used by a specific date, an airline ticket, hotel room reservation or rental car reservation has no value. The expiring nature of the inventory creates incentives for airlines, hotels and rental car companies to sell seats, hotel room reservations or rental car reservations at reduced rates. Because we have only limited experience in selling "non-expiring" inventories on the priceline.com service, such as new cars or financial

services, we cannot predict whether the priceline.com business model can be successfully applied to such products and services.

IF WE LOSE OUR KEY PERSONNEL OR CANNOT RECRUIT ADDITIONAL PERSONNEL, OUR BUSINESS MAY SUFFER

We depend on the continued services and performance of our executive officers and other key personnel. We do not have "key person" life insurance policies. If we do not succeed in attracting new employees or retaining and motivating current and future employees or executive officers, our business could suffer significantly. Our ability to retain key employees could be materially adversely affected by recent developments concerning priceline.com and the decline in the market price of our common stock and by limitations on our ability to pay cash compensation that is equivalent to cash paid by traditional businesses and limitations imposed by our employee benefit plans to issue additional equity incentives.

TWO LARGE STOCKHOLDERS BENEFICIALLY OWN APPROXIMATELY 34% OF OUR STOCK

Hutchison Whampoa Limited and its 49.94% shareholder, Cheung Kong (Holdings) Limited, collectively beneficially owned approximately 34% of our outstanding common stock as of September 30, 2002, based on public filings with the Securities and Exchange Commission. Together, Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited have appointed three of the twelve members of our Board of Directors. As a result of their ownership and positions, Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of our company. In addition, both Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited have registration rights with respect to their shares of priceline.com. On September 20, 2001, Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited withdrew a request they had made for us to file a shelf registration statement to sell shares and obtained rights to purchase up to a 37.5% stake (on a fully diluted basis) in priceline.com, subject to certain limitations. There can be no assurance that Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited, or both, will not make another request for registration and dispose of all or substantially all of our common stock held by them at any time after the effectiveness of a shelf registration statement. Sales of significant amounts of shares held by Cheung Kong (Holdings) Limited or Hutchison Whampoa Limited, or the prospect of these sales, could adversely affect the market price of our common stock. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - RECENT DEVELOPMENTS."

WE RELY ON THIRD-PARTY SYSTEMS

We rely on certain third-party computer systems and third-party service providers, including the computerized central reservation systems of the airline and hotel industries to satisfy demand for airline tickets and hotel room reservations. In particular, our travel business is substantially dependent upon the computerized reservation system of Worldspan, an operator of a database for the travel industry. Any interruption in these third-party services systems, including Worldspan's, or deterioration in their performance could prevent us from booking airline, hotel and rental car reservations and have a material adverse effect on our business. Our agreements with third-party service providers are terminable upon short notice and often do not provide recourse for service interruptions. In the event our arrangement with any of such third parties is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms and, as a result, our business and results of operations could be materially and adversely affected.

Substantially all of our computer hardware for operating our services is currently located at Exodus Communications, Inc. in New Jersey. On September 26, 2001, Exodus filed a petition for Chapter 11 bankruptcy protection. On February 1, 2002, Exodus announced that Cable and Wireless plc had completed the acquisition of a majority of the business activities of Exodus and substantially all of its U.S. customer contracts, including our contract. If Exodus is unable, for any reason, to support our primary web hosting facility, we would need to activate our secondary site at AT&T which would be a substantial burden to us and adversely affect our results.

Some of our communications infrastructure is provided by WorldCom, Inc. which has filed for bankruptcy protection. If WorldCom is unable, for any reason, to support the communications infrastructure that it provides us, instabilities in our systems could increase until such time as we were able to replace its services.

We do not maintain fully redundant systems or hosting services, and we do not carry business interruption insurance sufficient to compensate us for losses that may occur.

CAPACITY CONSTRAINTS AND SYSTEM FAILURES COULD HARM OUR BUSINESS

Substantially all of our computer hardware for operating our services currently is located at the facilities of Exodus Communications, Inc. in New Jersey. These systems and operations are vulnerable to damage or interruption from human error, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at the Exodus facility could result in lengthy interruptions in our services. In addition, the failure by Exodus to provide our required data communications capacity could result in interruptions in our service. Any system failure that causes an interruption in service or decreases the responsiveness of the priceline.com service could impair our reputation, damage our brand name and materially adversely affect our business and results of operations.

If our systems cannot be expanded to cope with increased demand or fails to perform, we could experience:

- unanticipated disruptions in service;
- slower response times;
- decreased customer service and customer satisfaction; or
- delays in the introduction of new products and services;

any of which could impair our reputation, damage the priceline.com brand and materially and adversely affect our revenues. Publicity about a service disruption also could cause a material decline in our stock price.

Like many online businesses, we have experienced system failures from time to time. For example, in May 2001, our primary website was interrupted for a period of 12 hours. In addition to placing increased burdens on our engineering staff, these outages create a significant amount of user questions and complaints that need to be addressed by our customer support personnel. Any unscheduled interruption in our service could result in an immediate loss of revenues that can be substantial and may cause some users to switch to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently harmed. We have been taking steps to increase the reliability and redundancy of our system. These steps are expensive, may reduce our margins and may not be successful in reducing the frequency or duration of unscheduled downtime.

We use internally developed systems to operate the priceline.com service, including transaction processing and order management systems that were designed to be scaleable. However, if the number of users of the priceline.com service increases substantially, we will need to significantly expand and upgrade our technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate or timing of any such increases, or expand and upgrade our systems and infrastructure to accommodate such increases in a timely manner.

OUR SUCCESS DEPENDS ON OUR ABILITY TO PROTECT OUR INTELLECTUAL PROPERTY

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. If we are not successful in protecting our intellectual property, there could be a material adverse effect on our business.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that:

- any patent can be successfully defended against challenges by third parties;

- pending patent applications will result in the issuance of patents;

- competitors or potential competitors of priceline.com will not devise new methods of competing with us that are not covered by our patents or patent applications;

- because of variations in the application of our business model to each of our products and services, our patents will be effective in preventing one or more third parties from utilizing a copycat business model to offer the same product or service in one or more categories;

- new prior art will not be discovered which may diminish the value of or invalidate an issued patent; or

- a third party will not have or obtain one or more patents that prevent us from practicing features of our business or will require us to pay for a license to use those features.

There has been recent discussion in the press regarding the examination and issuance of so called "business-method" patents. As a result, the United States

Patent and Trademark Office has indicated that it intends to intensify the review process applicable to such patent applications. The new procedures are not expected to have a direct effect on patents already granted. We cannot anticipate what effect, if any, the new process will have on our pending patent applications.

We pursue the registration of our trademarks and service marks in the U.S. and internationally. However, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are made available online. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation.

LEGAL PROCEEDINGS

We are a party to the legal proceedings described in Note 9 to Unaudited Consolidated Financial Statements included in this Form 10-Q and Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2001. The defense of the actions described in Note 9 may increase our expenses and an adverse outcome in any of such actions could have a material adverse effect on our business and results of operations.

WE MAY NOT BE ABLE TO KEEP UP WITH RAPID TECHNOLOGICAL AND OTHER CHANGES

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing consumer demands. We may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the emerging nature of the Internet and the apparent need of companies from many industries to offer Internet-based products and services. As a result, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to continually improve the performance, features and reliability of our service in response to competitive service and product offerings and the evolving demands of the marketplace. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our services or infrastructure.

ONLINE SECURITY BREACHES COULD HARM OUR BUSINESS

The secure transmission of confidential information over the Internet is essential in maintaining consumer and supplier confidence in the priceline.com service. Substantial or ongoing security breaches - whether instigated internally or externally - on our system or other Internet-based systems could significantly harm our business. We currently require buyers to guarantee their offers with their credit card, either online or through our toll-free telephone service. We rely on licensed encryption and authentication technology to effect secure transmission of confidential information, including credit card numbers. It is possible that advances in computer capabilities, new discoveries or other developments could result in a compromise or breach of the technology used by us to protect customer transaction data.

We incur substantial expense to protect against and remedy security breaches and their consequences. However, we cannot guarantee that our security measures will prevent security breaches. A party that is able to circumvent our security systems could steal proprietary information or cause significant interruptions in our operations. For instance, several major websites have experienced significant interruptions as a result of improper direction of excess traffic to those sites, and computer viruses have substantially disrupted e-mail and other functionality in a number of countries, including the United States. Security breaches also could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our insurance policies carry low coverage limits, which may not be adequate to reimburse us for losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the growth of the Internet and, therefore, the priceline.com service as a means of conducting commercial transactions.

OUR STOCK PRICE IS HIGHLY VOLATILE

The market price of our common stock is highly volatile and is likely to continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- quarterly variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in our capital structure;
- changes in market valuations of other Internet or online service companies;
- announcements of technological innovations or new services by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major seller participant, such as an airline or hotel chain;
- changes in the status of our intellectual property rights;
- lack of success in the expansion of our business model horizontally or geographically;
- announcements by third parties of significant claims or proceedings against us or adverse developments in pending proceedings;
- additions or departures of key personnel; and

- stock market price and volume fluctuations.

Sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that exists for our shares, such sales could cause the market price of our common stock to decline.

In addition, the trading prices of Internet company stocks in general, including ours, have experienced extreme price and volume fluctuations. To the extent that the public's perception of the prospects of Internet or e-commerce companies is negative, our stock price could decline further regardless of our results. Other broad market and industry factors may decrease the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations, also may decrease the market price of our common stock. The market value of e-commerce stocks has declined dramatically recently based on profitability and other concerns. The recent declines in the value of our common stock and market conditions could adversely affect our ability to raise additional capital.

We are defendants in a number of securities class action litigations. In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. To the extent our stock price declines or is volatile, we may in the future be the target of additional litigation. Securities and other litigation could result in substantial costs and divert management's attention and resources. See Part II, Item 1 - Legal Proceedings

UNCERTAINTY REGARDING STATE TAXES

We file tax returns in such states as required by law based on principles applicable to traditional businesses. In addition, we do not collect sales or other similar taxes in respect of transactions conducted through the priceline.com service (other than the federal air transportation tax). However, one or more states could seek to impose additional income tax obligations or sales tax collection obligations on companies, such as ours, which engage in or facilitate online commerce. A number of proposals have been made at state and local levels that could impose such taxes on the sale of products and services through the Internet or the income derived from such sales. Such proposals, if adopted, could substantially impair the growth of e-commerce and adversely affect our opportunity to achieve and sustain profitability.

REGULATORY AND LEGAL UNCERTAINTIES COULD HARM OUR BUSINESS

The products and services we offer through the priceline.com service are regulated by federal and state governments. Our ability to provide such products and services is and will continue to be affected by such regulations. The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise adversely affect our financial performance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We currently have no floating rate indebtedness and does not earn significant foreign-sourced income. Accordingly, changes in interest rates or currency exchange rates do not generally have a direct material effect on our financial position. However, changes in currency exchange rates may affect the cost of international airline tickets and international hotel reservations offered through the priceline.com service, and so indirectly affect consumer demand for such products and our revenue. In the event of such weakness, such additional US dollars would have reduced purchasing power. In addition, to the extent that changes in interest rates and currency exchange rates affect general economic conditions, we would also be affected by such changes. If the US dollar weakens versus the British Pound Sterling, we may have to invest additional US dollars in priceline.com europe Ltd. to fund its ongoing operations.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the date of this report, priceline.com, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (the "Evaluation"). Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures are effective in ensuring that material information relating to priceline.com, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the Evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please see Note 9 to the Notes to Unaudited Consolidated Financial Statements included in this Form 10-Q and Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.74	Employment Agreement, dated August 22, 2002, by and between priceline.com Inc Mitch Truwit.

(b) REPORTS ON FORM 8-K

On July 31, 2002, we furnished a report on Form 8-K responding to Item 5 in connection with the Board of Directors' authorization to repurchase up to $40 million of the Company's common stock. In addition, we reported that Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited had informed priceline.com that they may purchase up to an additional $40 million of priceline.com common stock in the open market or in privately negotiated transactions.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRICELINE.COM INCORPORATED
(Registrant)

Date: November 14, 2002 By: /s/ Robert J. Mylod

Name: Robert J. Mylod
Title: Chief Financial Officer
(On behalf of the Registrant and as principal financial officer)

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CERTIFICATION
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002, the undersigned officer of priceline.com Incorporated, a Delaware corporation (the "Registrant"), hereby certifies that:

1. I, Richard Braddock, have reviewed the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (the "Quarterly Report") of the Registrant;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b. evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c. presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls;

6. The Registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002

/s/ Richard S. Braddock

Name: Richard S. Braddock
Title: Chairman & Co-Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002, the undersigned officer of priceline.com Incorporated, a Delaware corporation (the "Registrant"), hereby certifies that:

1. I, Jeffery Boyd, have reviewed the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (the "Quarterly Report") of the Registrant;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b. evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c. presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit

committee of the Registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls;

6. The Registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002 /s/ Jeffery H. Boyd

Name: Jeffery H. Boyd
Title: President & Co-Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002, the undersigned officer of priceline.com Incorporated, a Delaware corporation (the "Registrant"), hereby certifies that:

1. I, Robert Mylod, have reviewed the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (the "Quarterly Report") of the Registrant;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

a. designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b. evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c. presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls;

6. The Registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002 /s/ Robert J. Mylod

Name: Robert J. Mylod
Title: Chief Financial Officer