



October 30, 2014

Groupon Announces Third Quarter 2014 Results

- **Gross billings of \$1.86 billion**
- **Revenue of \$757.1 million**
- **Adjusted EBITDA of \$67.0 million**
- **GAAP loss per share of \$0.03; non-GAAP earnings per share of \$0.03**

CHICAGO--(BUSINESS WIRE)-- Groupon, Inc. (NASDAQ: GRPN) today announced financial results for the quarter ended September 30, 2014.

"We had another record quarter, with worldwide billings increasing 39 percent and reaching their highest level ever," said Eric Lefkowsky, CEO of Groupon. "We also made significant progress in our strategy to become the leading mobile commerce destination, with double-digit growth in our North American Local business, double-digit gross margins in North American Goods and positive Adjusted EBITDA in every segment for the first time in over a year."

Third Quarter 2014 Summary

- Gross billings, which reflect the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds, increased 39% globally to \$1.86 billion in the third quarter 2014, compared with \$1.34 billion in the third quarter 2013. North America billings increased 16%, EMEA increased 10% and Rest of World increased 155%, driven by the first-quarter acquisition of Ticket Monster.
- Revenue increased 27%, to \$757.1 million in the third quarter 2014, compared with \$595.1 million in the third quarter 2013. North America revenue increased 16%, EMEA increased 56% and Rest of World increased 26%.
- Gross profit was \$380.1 million in the third quarter 2014, compared with \$359.6 million in the third quarter 2013.
- Adjusted EBITDA, a non-GAAP financial measure, was \$67.0 million in the third quarter 2014, compared with \$62.3 million in the third quarter 2013, reflecting SG&A expense related to the Ticket Monster and ideel acquisitions, as well as an increase in overall marketing expense.
- Third quarter 2014 net loss attributable to common stockholders was \$21.2 million, or \$0.03 per share. Earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related costs of \$46.1 million (or \$38.7 million net of tax), a non-GAAP financial measure, was \$0.03 per share.
- Third quarter results included \$18.6 million of pre-tax non-operating foreign currency losses and a \$7.7 million decrease in liabilities for uncertain tax positions.
- Operating cash flow for the trailing twelve months ended September 30, 2014 was \$180.3 million. Free cash flow, a non-GAAP financial measure, was \$25.4 million in the third quarter 2014, bringing free cash flow for the trailing twelve months ended September 30, 2014 to \$92.9 million.
- At the end of the quarter, Groupon had \$855.2 million in cash and cash equivalents.

Definitions and reconciliations of all non-GAAP financial measures are included below in the section titled "Non-GAAP Financial Measures" and in the accompanying tables.

Highlights

- **Units:** Global units, defined as vouchers and products sold before cancellations and refunds, increased 92% year-over-year to 88 million in the third quarter 2014. North America units increased 11%, EMEA units increased 30% and Rest of World units increased 316%.
- **Active deals:** At the end of the third quarter 2014, on average, active deals were approximately 300,000 globally, compared with more than 240,000 at the end of the second quarter 2014. North American active deals increased to over 120,000.
- **Active customers:** Active customers, or customers that have purchased a voucher or product within the last twelve months, grew 24% year-over-year, to 52.7 million as of September 30, 2014, comprising 23.5 million in North America, 14.9 million in EMEA, and 14.3 million in Rest of World.
- **Customer spend:** Third quarter 2014 trailing twelve month billings per average active customer was \$149, compared with \$141 in the second quarter 2014.
- **Mobile:** Mobile mix, as measured by transactions completed on mobile devices, remains over half of the business. Over 100 million people have now downloaded Groupon mobile apps worldwide.
- **Marketplace:** The rollout of Groupon's marketplace ("Pull") continued to gain traction. In the third quarter 2014, approximately 10% of total traffic in North America searched, with customers who searched spending significantly more than those who did not.
- **Rest of World:** Rest of World billings grew 155% in the third quarter 2014, driven by Ticket Monster. As a result of the significant growth opportunities that exist for Ticket Monster, as well as for the Asian business more broadly, the company has hired financial advisers to evaluate a range of financing and strategic alternatives for those businesses that would, if pursued, unlock shareholder value.

Share Repurchase Program

During the third quarter 2014, Groupon repurchased 1,349,712 shares of its Class A common stock at an average price of \$6.16 per share, for an aggregate purchase price of \$8.3 million. Under the existing authorization, Groupon has repurchased a total of 26,087,004 shares at an average price of \$7.30 per share, for an aggregate purchase price of \$190.4 million. Groupon is authorized to repurchase up to an additional \$109.6 million of Class A common stock under the August 2013 share repurchase authorization. The program, which is intended to partially offset dilution from employee stock grants, terminates in August 2015.

2014 Investor and Analyst Day

Groupon will be hosting its first Investor and Analyst Day on Tuesday, November 11, 2014 in Chicago. A live webcast of the event will be available on the company's investor relations website at <http://investor.groupon.com>.

Outlook

Significant movement in foreign exchange rates, the Euro in particular, has led to an approximately \$7 million negative impact on Groupon's Adjusted EBITDA estimate since the company last provided full year guidance.

For the fourth quarter 2014, reflecting current foreign exchange rates, Groupon expects revenue of between \$875 million and \$925 million, Adjusted EBITDA of between \$80 million and \$100 million, and non-GAAP earnings per share excluding stock compensation, amortization of acquired intangible assets, and acquisition-related expenses, net of tax, of between \$0.02 and \$0.04.

Conference Call

A conference call will be webcast live today at 4:00 p.m. CT / 5:00 p.m. ET, and will be available on Groupon's investor relations website at <http://investor.groupon.com>. This call will contain forward-looking statements and other material information regarding the Company's financial and operating results.

Groupon encourages investors to use its investor relations website as a way of easily finding information about the company. Groupon promptly makes available on this website, free of charge, the reports that the company files or furnishes with the SEC, corporate governance information (including Groupon's Global Code of Conduct), and select press releases and social media postings.

Non-GAAP Financial Measures

In addition to financial results reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP), we have provided the following non-GAAP financial measures in this release and the accompanying tables: foreign exchange rate neutral operating results, Adjusted EBITDA, free cash flow and earnings (loss) per share excluding stock-based compensation, amortization of acquired intangible assets, and acquisition-related expense (benefit), net. These non-GAAP financial measures are presented to aid investors in better understanding Groupon's performance and to facilitate comparisons to many of our peers who present similar measures. However, these measures are not intended to be a substitute for those reported in accordance with U.S. GAAP. These measures may be different from non-GAAP financial measures used by other companies, even when similar terms are used to identify such measures. For reconciliations of these measures to the most applicable financial measures under U.S. GAAP, see "Non-GAAP Reconciliation Schedules" and "Supplemental Financial Information and Business Metrics" included in the tables accompanying this release.

We exclude the following items from one or more of our non-GAAP financial measures:

Stock-based compensation. We exclude stock-based compensation because it is primarily non-cash in nature and we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and liquidity.

Acquisition-related expense (benefit), net. Acquisition-related expense (benefit), net is comprised of the change in the fair value of contingent consideration arrangements and, beginning in the fourth quarter of 2013, also includes external transaction costs related to business combinations, primarily consisting of legal and advisory fees. External transaction costs were not material for periods prior to the fourth quarter of 2013 presented in this release and the accompanying tables. The composition of our contingent consideration arrangements and the impact of those arrangements on our operating results vary over time based on a number of factors, including the terms of our business combinations and the timing of those transactions. We exclude acquisition-related expense (benefit), net because we believe that non-GAAP financial measures excluding this item provide meaningful supplemental information about our operating performance and facilitate comparisons to our historical operating results.

Depreciation and amortization. We exclude depreciation and amortization expenses because they are non-cash in nature and we believe that non-GAAP financial measures excluding these items provide meaningful supplemental information about our operating performance and liquidity.

Descriptions of the non-GAAP financial measures included in this release and the accompanying tables are as follows:

Foreign exchange rate neutral operating results show our current period operating results as if foreign currency exchange rates had remained the same as those in effect in the comparable prior-year period.

Adjusted EBITDA is a non-GAAP financial measure that we define as net income (loss) excluding income taxes, interest and other non-operating items, depreciation and amortization, stock-based compensation, and acquisition-related expense (benefit), net. Our definition of Adjusted EBITDA may differ from similar measures used by other companies, even when similar terms are used to identify such measures. Adjusted EBITDA is a key measure used by our management and Board of Directors to evaluate operating performance, generate future plans and make strategic decisions regarding the allocation of capital. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Earnings (loss) per share excluding stock-based compensation, amortization of acquired intangible assets, and acquisition-related expense (benefit), net is a non-GAAP financial measure that adjusts our earnings (loss) per share to exclude the impact of stock-based compensation expense, amortization of acquired intangible assets, and acquisition-related expense (benefit), net, and the income tax effect of those items. We believe that this non-GAAP financial measure provides useful supplemental information for evaluating our operating performance.

We previously changed our non-GAAP earnings (loss) per share measure, effective beginning with the first quarter 2014, to exclude amortization of acquired intangible assets, net of tax, in addition to stock compensation and acquisition-related expenses, which we excluded historically. Due to our significant acquisition activity in January 2014 and potential acquisition activity in the future, we believe that excluding the impact of this item from our non-GAAP earnings (loss) per share measure enables more meaningful comparisons with our historical results.

Free cash flow is a non-GAAP financial measure that comprises net cash provided by (used in) operating activities less purchases of property and equipment and capitalized software. We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe that it typically represents a more useful measure of cash flows because purchases of fixed assets, software developed for internal use and website development costs are necessary components of our ongoing operations. Free cash flow is not intended to represent the total increase or decrease in Groupon's cash balance for the applicable period.

| | | | | | | | | |
|---------|----|--------|----|--------|----|--------|----|--------|
| Basic | \$ | (0.03) | \$ | (0.00) | \$ | (0.12) | \$ | (0.02) |
| Diluted | \$ | (0.03) | \$ | (0.00) | \$ | (0.12) | \$ | (0.02) |

Weighted
average
number of
shares
outstanding

| | | | | |
|---------|-------------|-------------|-------------|-------------|
| Basic | 669,526,524 | 666,432,848 | 675,814,535 | 662,531,567 |
| Diluted | 669,526,524 | 666,432,848 | 675,814,535 | 662,531,567 |

(1) Represents the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds.

(2) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect during the three and nine months ended September 30, 2013.

Groupon, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Operating activities | | | | |
| Net loss | \$ (19,018) | \$ (1,292) | \$ (75,303) | \$ (10,085) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization of property, equipment and software | 26,317 | 17,816 | 71,476 | 49,186 |
| Amortization of acquired intangible assets | 11,829 | 5,333 | 36,068 | 16,131 |
| Stock-based compensation | 34,574 | 26,870 | 89,958 | 89,223 |
| Deferred income taxes | (2,472) | (659) | (1,956) | (1,225) |
| Excess tax benefits on stock-based compensation | (2,641) | (8,348) | (12,573) | (12,116) |
| Loss on equity method investments | 91 | 25 | 459 | 58 |
| Net gain from changes in fair value of contingent consideration | (1,020) | (1,529) | (1,059) | (2,276) |
| Impairment of investments | 1,448 | - | 2,036 | - |
| Change in assets and liabilities, net of acquisitions: | | | | |
| Restricted cash | 6,040 | (3,348) | 6,961 | (81) |
| Accounts receivable | (2,002) | 11,940 | (29,267) | 8,999 |
| Prepaid expenses and other current assets | (26,499) | (2,846) | (32,397) | 13,146 |
| Accounts payable | (3,811) | (3,036) | (8,964) | (25,867) |
| Accrued merchant and supplier payables | (19,274) | (34,315) | (61,219) | (72,290) |
| Accrued expenses and other current liabilities | 9,790 | (20,553) | (27,091) | (27,790) |
| Other, net | 32,114 | 2,037 | 44,873 | 15,144 |
| Net cash provided by (used in) operating activities | 45,466 | (11,905) | 2,002 | 40,157 |
| Net cash used in investing activities | (20,461) | (26,444) | (193,567) | (72,985) |
| Net cash used in financing activities | (16,823) | (8,970) | (173,068) | (26,253) |
| Effect of exchange rate changes on cash and cash equivalents | (21,102) | 5,165 | (20,671) | (10,351) |
| Net decrease in cash and cash equivalents | (12,920) | (42,154) | (385,304) | (69,432) |
| Cash and cash equivalents, beginning of period | 868,088 | 1,182,011 | 1,240,472 | 1,209,289 |
| Cash and cash equivalents, end of period | \$855,168 | \$1,139,857 | \$ 855,168 | \$1,139,857 |

Groupon, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------|---|-------------|--|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | |
| Third party and other | \$ 399,803 | \$ 394,987 | \$ 1,232,173 | \$ 1,252,966 |
| Direct | 357,251 | 200,072 | 1,034,094 | 552,242 |
| Total revenue | 757,054 | 595,059 | 2,266,267 | 1,805,208 |
| Cost of revenue: | | | | |
| Third party and other | 61,497 | 54,001 | 182,226 | 179,524 |
| Direct | 315,413 | 181,436 | 928,314 | 502,359 |
| Total cost of revenue | 376,910 | 235,437 | 1,110,540 | 681,883 |
| Gross profit | 380,144 | 359,622 | 1,155,727 | 1,123,325 |
| Operating expenses: | | | | |

| | | | | |
|--|--------------------|-------------------|--------------------|--------------------|
| Marketing | 59,935 | 53,265 | 203,134 | 158,319 |
| Selling, general and administrative | 325,942 | 294,074 | 983,751 | 904,880 |
| Acquisition-related (benefit) expense, net | (304) | (1,529) | 2,078 | (2,276) |
| Total operating expenses | 385,573 | 345,810 | 1,188,963 | 1,060,923 |
| (Loss) income from operations | (5,429) | 13,812 | (33,236) | 62,402 |
| Other (expense) income, net ⁽¹⁾ | (20,023) | 832 | (21,886) | (9,830) |
| (Loss) income before (benefit) provision for income taxes | (25,452) | 14,644 | (55,122) | 52,572 |
| (Benefit) provision for income taxes | (6,434) | 15,936 | 20,181 | 62,657 |
| Net loss | (19,018) | (1,292) | (75,303) | (10,085) |
| Net income attributable to noncontrolling interests | (2,190) | (1,288) | (6,575) | (4,061) |
| Net loss attributable to Groupon, Inc. | <u>\$ (21,208)</u> | <u>\$ (2,580)</u> | <u>\$ (81,878)</u> | <u>\$ (14,146)</u> |

Net loss per share

| | | | | |
|---------|-----------|-----------|-----------|-----------|
| Basic | \$ (0.03) | \$ (0.00) | \$ (0.12) | \$ (0.02) |
| Diluted | \$ (0.03) | \$ (0.00) | \$ (0.12) | \$ (0.02) |

Weighted average number of shares outstanding

| | | | | |
|---------|-------------|-------------|-------------|-------------|
| Basic | 669,526,524 | 666,432,848 | 675,814,535 | 662,531,567 |
| Diluted | 669,526,524 | 666,432,848 | 675,814,535 | 662,531,567 |

(1) Other (expense) income, net includes foreign currency (losses) gains of (\$18,638) and \$326 for the three months ended September 30, 2014 and 2013, respectively, and (\$20,108) and (\$11,156) for the nine months ended September 30, 2014 and 2013, respectively.

Groupon, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

| | <u>September 30, 2014</u> | <u>December 31, 2013</u> |
|---|---------------------------|--------------------------|
| | (unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 855,168 | \$ 1,240,472 |
| Accounts receivable, net | 124,598 | 83,673 |
| Deferred income taxes | 26,564 | 27,938 |
| Prepaid expenses and other current assets | 243,750 | 210,415 |
| Total current assets | <u>1,250,080</u> | <u>1,562,498</u> |
| Property, equipment and software, net | 170,534 | 134,423 |
| Goodwill | 441,290 | 220,827 |
| Intangible assets, net | 119,810 | 28,443 |
| Investments | 23,639 | 20,652 |
| Deferred income taxes, non-current | 44,709 | 35,941 |
| Other non-current assets | 22,103 | 39,226 |
| Total Assets | <u>\$ 2,072,165</u> | <u>\$ 2,042,010</u> |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 25,848 | \$ 27,573 |
| Accrued merchant and supplier payables | 754,628 | 752,943 |
| Accrued expenses | 223,677 | 226,986 |
| Deferred income taxes | 44,787 | 47,558 |
| Other current liabilities | 134,116 | 132,718 |
| Total current liabilities | <u>1,183,056</u> | <u>1,187,778</u> |
| Deferred income taxes, non-current | 9,668 | 10,853 |
| Other non-current liabilities | 151,486 | 131,697 |
| Total Liabilities | <u>1,344,210</u> | <u>1,330,328</u> |
| Commitments and contingencies | | |
| Stockholders' Equity | | |
| Class A common stock, par value \$0.0001 per share, 2,000,000,000 shares authorized, 694,272,530 shares issued and 668,185,526 shares outstanding at September 30, 2014 and 670,149,976 shares issued and 665,717,176 shares outstanding at December 31, 2013 | 70 | 67 |
| Class B common stock, par value \$0.0001 per share, 10,000,000 shares authorized, 2,399,976 shares issued and outstanding at September 30, 2014 and December 31, 2013 | - | - |
| Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized, no shares issued and outstanding at September 30, 2014 and December 31, 2013 | - | - |
| Additional paid-in capital | 1,814,040 | 1,584,211 |
| Treasury stock, at cost, 26,087,004 shares at September 30, 2014 and 4,432,800 shares at December 31, 2013 | (190,355) | (46,587) |
| Accumulated deficit | (930,748) | (848,870) |
| Accumulated other comprehensive income | 34,948 | 24,830 |
| Total Groupon, Inc. Stockholders' Equity | <u>727,955</u> | <u>713,651</u> |
| Noncontrolling interests | - | (1,969) |
| Total Equity | <u>727,955</u> | <u>711,682</u> |
| Total Liabilities and Equity | <u>\$ 2,072,165</u> | <u>\$ 2,042,010</u> |

Groupon, Inc.
Segment Information
(in thousands)
(unaudited)

Three Months Ended September 30, **Nine Months Ended September 30,**
2014 **2013** **2014** **2013**

North America

| | | | | |
|---|------------|------------|--------------|--------------|
| Gross billings ⁽¹⁾ | \$ 774,286 | \$ 664,999 | \$ 2,354,900 | \$ 2,058,523 |
| Revenue | \$ 418,494 | \$ 360,838 | \$ 1,273,487 | \$ 1,077,574 |
| Segment cost of revenue and operating expenses ⁽²⁾ | 405,910 | 335,670 | 1,234,973 | 962,532 |
| Segment operating income ⁽²⁾ | \$ 12,584 | \$ 25,168 | \$ 38,514 | \$ 115,042 |
| Segment operating income as a percent of segment gross billings | 1.6 % | 3.8 % | 1.6 % | 5.6 % |
| Segment operating income as a percent of segment revenue | 3.0 % | 7.0 % | 3.0 % | 10.7 % |

EMEA

| | | | | |
|---|------------|------------|--------------|--------------|
| Gross billings ⁽¹⁾ | \$ 489,423 | \$ 443,318 | \$ 1,486,266 | \$ 1,417,886 |
| Revenue | \$ 230,072 | \$ 147,950 | \$ 688,655 | \$ 491,710 |
| Segment cost of revenue and operating expenses ⁽²⁾ | 207,643 | 132,346 | 619,594 | 417,222 |
| Segment operating income ⁽²⁾ | \$ 22,429 | \$ 15,604 | \$ 69,061 | \$ 74,488 |
| Segment operating income as a percent of segment gross billings | 4.6 % | 3.5 % | 4.6 % | 5.3 % |
| Segment operating income as a percent of segment revenue | 9.7 % | 10.5 % | 10.0 % | 15.1 % |

Rest of World

| | | | | |
|---|------------|------------|--------------|-------------|
| Gross billings ⁽¹⁾ | \$ 597,026 | \$ 234,331 | \$ 1,655,826 | \$ 687,814 |
| Revenue | \$ 108,488 | \$ 86,271 | \$ 304,125 | \$ 235,924 |
| Segment cost of revenue and operating expenses ⁽²⁾ | 114,660 | 87,890 | 352,900 | 276,105 |
| Segment operating loss ⁽²⁾ | \$ (6,172) | \$ (1,619) | \$ (48,775) | \$ (40,181) |
| Segment operating loss as a percent of segment gross billings | (1.0) % | (0.7) % | (2.9) % | (5.8) % |
| Segment operating loss as a percent of segment revenue | (5.7) % | (1.9) % | (16.0) % | (17.0) % |

(1) Represents the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds.

(2) Segment cost of revenue and operating expenses and segment operating income (loss) exclude stock-based compensation and acquisition-related (benefit) expense, net.

Groupon, Inc.
Non-GAAP Reconciliation Schedules
(in thousands, except share and per share amounts)
(unaudited)

Adjusted EBITDA and earnings per share excluding stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net of tax, are non-GAAP financial measures. The Company reconciles Adjusted EBITDA to the most comparable U.S. GAAP financial measure, "Net loss," for the periods presented and the Company reconciles earnings per share excluding stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net to the most comparable U.S. GAAP financial measure, "Diluted net loss per share," for the periods presented.

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP financial measure, "Net loss."

| | <u>Q3 2013</u> | <u>Q4 2013</u> | <u>Q1 2014</u> | <u>Q2 2014</u> | <u>Q3 2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Net loss | \$ (1,292) | \$ (78,861) | \$ (35,363) | \$ (20,922) | \$ (19,018) |
| Adjustments: | | | | | |
| Stock-based compensation | 26,870 | 32,239 | 23,729 | 31,655 | 34,574 |
| Acquisition-related (benefit) expense, net | (1,529) | 2,265 | 1,785 | 597 | (304) |
| Depreciation and amortization | 23,149 | 24,132 | 34,740 | 34,658 | 38,146 |
| Other (income) expense, net | (832) | 84,833 | 840 | 1,023 | 20,023 |
| Provision (benefit) for income taxes | 15,936 | 7,380 | 14,570 | 12,045 | (6,434) |
| Total adjustments | 63,594 | 150,849 | 75,664 | 79,978 | 86,005 |
| Adjusted EBITDA | <u>\$ 62,302</u> | <u>\$ 71,988</u> | <u>\$ 40,301</u> | <u>\$ 59,056</u> | <u>\$ 66,987</u> |

The following is a reconciliation of diluted net loss per share to diluted earnings per share excluding stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net for the three and nine months ended September 30, 2014:

| | Three Months Ended September 30, 2014 | Nine Months Ended September 30, 2014 |
|--|--|---|
| Net loss attributable to common stockholders | \$ (21,208) | \$ (81,878) |
| Stock-based compensation | 34,574 | 89,958 |
| Amortization of acquired intangible assets | 11,829 | 36,068 |
| Acquisition-related (benefit) expense, net | (304) | 2,078 |
| Income tax effect of adjustments | (7,361) | (31,090) |
| Net earnings attributable to common stockholders excluding stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net | <u>\$ 17,530</u> | <u>\$ 15,136</u> |
| Diluted shares | 669,526,524 | 675,814,535 |
| Incremental diluted shares | 8,907,050 | 10,317,632 |
| Adjusted diluted shares | <u>678,433,574</u> | <u>686,132,167</u> |
| Diluted net loss per share | \$ (0.03) | \$ (0.12) |
| Impact of stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net ⁽¹⁾ | <u>0.06</u> | <u>0.14</u> |
| Diluted earnings per share excluding stock-based compensation, amortization of acquired intangible assets and acquisition-related (benefit) expense, net ⁽¹⁾ | <u>\$ 0.03</u> | <u>\$ 0.02</u> |

(1) The sum of per share amounts for quarterly periods may not equal year-to-date amounts due to rounding.

Foreign exchange rate neutral operating results are non-GAAP financial measures. The Company reconciles foreign exchange rate neutral operating results to the most comparable U.S. GAAP financial measures, "Gross billings," "Revenue" and "(Loss) income from operations," respectively, for the periods presented. The Company reconciles "foreign exchange rate neutral Gross billings growth" and "foreign exchange rate neutral Revenue growth" to year-over-year growth rates for the most comparable U.S. GAAP financial measures, "Gross billings growth" and "Revenue growth," respectively, for the periods presented.

The effect on the Company's gross billings, revenue and loss from operations from changes in exchange rates versus the U.S. Dollar for the three months ended September 30, 2014 was as follows:

| | Three Months Ended September 30, 2014 | | | Three Months Ended September 30, 2014 | | |
|----------------------|---|--|------------------------|---|--|------------------------|
| | At Avg. Q3 2013 Rates ⁽¹⁾ | Exchange Rate Effect ⁽²⁾ | As Reported | At Avg. Q2 2014 Rates ⁽³⁾ | Exchange Rate Effect ⁽²⁾ | As Reported |
| | Gross billings | \$ 1,840,983 | \$ 19,752 | \$ 1,860,735 | \$ 1,877,385 | \$ (16,650) |
| Revenue | \$ 756,712 | \$ 342 | \$ 757,054 | \$ 765,015 | \$ (7,961) | \$ 757,054 |
| Loss from operations | \$ (5,270) | \$ (159) | \$ (5,429) | \$ (5,335) | \$ (94) | \$ (5,429) |

The effect on the Company's gross billings, revenue and (loss) income from operations from changes in exchange rates versus the U.S. Dollar for the nine months ended September 30, 2014 was as follows:

| | Nine Months Ended September 30, 2014 | | | Nine Months Ended September 30, 2014 | | |
|-------------------------------|---|--|------------------------|---|--|------------------------|
| | At Avg. Q3 2013 YTD Rates ⁽¹⁾ | Exchange Rate Effect ⁽²⁾ | As Reported | At Avg. Q4'13 - Q2'14 Rates ⁽³⁾ | Exchange Rate Effect ⁽²⁾ | As Reported |
| | Gross billings | \$ 5,458,250 | \$ 38,742 | \$ 5,496,992 | \$ 5,503,487 | \$ (6,495) |
| Revenue | \$ 2,261,643 | \$ 4,624 | \$ 2,266,267 | \$ 2,273,122 | \$ (6,855) | \$ 2,266,267 |
| (Loss) income from operations | \$ (35,561) | \$ 2,325 | \$ (33,236) | \$ (33,353) | \$ 117 | \$ (33,236) |

(1) Represents the financial statement balances that would have resulted had average exchange rates in the reporting period been the same as those in effect during the three and nine months ended September 30, 2013.

(2) Represents the increase or decrease in reported amounts resulting from changes in exchange rates from those in effect in the comparable period.

(3) Represents the financial statement balances that would have resulted had average exchange rates in the reporting periods been the same as those in effect during the three and nine months ended June 30, 2014.

The following is a quarterly reconciliation of foreign exchange rate neutral Gross billings growth from the comparable quarterly periods of the prior year to reported Gross billings growth from the comparable quarterly periods of the prior year.

| | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| EMEA Gross billings growth, excluding | | | | | |

| | | | | | |
|---|--------|--------|--------|-------|-------|
| FX | 9 % | 3 % | 1 % | (4) % | 10 % |
| FX Effect | 3 % | 3 % | 3 % | 4 % | - % |
| EMEA Gross billings growth | 12 % | 6 % | 4 % | - % | 10 % |
| Rest of World Gross billings growth, excluding FX | (4) % | (2) % | 133 % | 141 % | 147 % |
| FX Effect | (9) % | (9) % | (10) % | 4 % | 8 % |
| Rest of World Gross billings growth | (13) % | (11) % | 123 % | 145 % | 155 % |
| Consolidated Gross billings growth, excluding FX | 11 % | 5 % | 30 % | 27 % | 37 % |
| FX Effect | (1) % | - % | (1) % | 2 % | 2 % |
| Consolidated Gross billings growth | 10 % | 5 % | 29 % | 29 % | 39 % |

The following is a quarterly reconciliation of foreign exchange rate neutral Revenue growth from the comparable quarterly periods of the prior year to reported Revenue growth from the comparable quarterly periods of the prior year.

| | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 |
|--|---------|---------|---------|---------|---------|
| EMEA Revenue growth, excluding FX | (23) % | 38 % | 22 % | 36 % | 55 % |
| FX Effect | 2 % | 5 % | 4 % | 6 % | 1 % |
| EMEA Revenue growth | (21) % | 43 % | 26 % | 42 % | 56 % |
| Rest of World Revenue growth, excluding FX | 7 % | (6) % | 35 % | 44 % | 26 % |
| FX Effect | (11) % | (9) % | (12) % | (4) % | - % |
| Rest of World Revenue growth | (4) % | (15) % | 23 % | 40 % | 26 % |
| Consolidated Revenue growth, excluding FX | 6 % | 20 % | 26 % | 22 % | 27 % |
| FX Effect | (1) % | - % | - % | 2 % | - % |
| Consolidated Revenue growth | 5 % | 20 % | 26 % | 24 % | 27 % |

Groupon, Inc.
Supplemental Financial Information and Business Metrics ⁽¹¹⁾
(financial data in thousands; active customers in millions)
(unaudited)

| | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Segments | | | | | |
| North America Segment: | | | | | |
| Gross Billings ⁽¹⁾ : | | | | | |
| Local ⁽²⁾ Gross Billings | \$ 405,913 | \$ 439,131 | \$ 456,952 | \$ 461,366 | \$ 446,573 |
| Goods Gross Billings | 194,565 | 286,039 | 242,896 | 247,618 | 242,893 |
| Travel ⁽²⁾ Gross Billings | 64,521 | 63,551 | 81,921 | 89,861 | 84,820 |
| Total Gross Billings | \$ 664,999 | \$ 788,721 | \$ 781,769 | \$ 798,845 | \$ 774,286 |
| Year-over-year growth | 20 % | 10 % | 15 % | 12 % | 16 % |
| % Third Party and Other | 72 % | 67 % | 70 % | 70 % | 69 % |
| % Direct | 28 % | 33 % | 30 % | 30 % | 31 % |
| Gross Billings Trailing Twelve Months (TTM) | \$ 2,777,475 | \$ 2,847,244 | \$ 2,947,694 | \$ 3,034,334 | \$ 3,143,621 |
| Revenue ⁽³⁾ : | | | | | |
| Local Revenue | \$ 162,346 | \$ 161,601 | \$ 177,247 | \$ 164,500 | \$ 161,912 |
| Goods Revenue | 185,914 | 268,281 | 237,435 | 241,626 | 238,955 |
| Travel Revenue | 12,578 | 13,902 | 16,380 | 17,805 | 17,627 |
| Total Revenue | \$ 360,838 | \$ 443,784 | \$ 431,062 | \$ 423,931 | \$ 418,494 |
| Year-over-year growth | 24 % | 18 % | 27 % | 12 % | 16 % |
| % Third Party and Other | 49 % | 41 % | 45 % | 43 % | 43 % |
| % Direct | 51 % | 59 % | 55 % | 57 % | 57 % |
| Revenue TTM | \$ 1,452,925 | \$ 1,521,358 | \$ 1,612,866 | \$ 1,659,615 | \$ 1,717,271 |
| Gross Profit ⁽⁴⁾ : | | | | | |
| Local Gross Profit | \$ 138,890 | \$ 140,944 | \$ 152,622 | \$ 142,674 | \$ 138,189 |
| % of North America Total Local Gross Billings | 34.2 % | 32.1 % | 33.4 % | 30.9 % | 30.9 % |
| Goods Gross Profit | 21,609 | 21,030 | 12,604 | 22,961 | 23,953 |
| % of North America Total Goods Gross Billings | 11.1 % | 7.4 % | 5.2 % | 9.3 % | 9.9 % |
| Travel Gross Profit | 11,070 | 12,352 | 14,442 | 14,365 | 14,000 |
| % of North America Total Travel Gross Billings | 17.2 % | 19.4 % | 17.6 % | 16.0 % | 16.5 % |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total Gross Profit | \$ 171,569 | \$ 174,326 | \$ 179,668 | \$ 180,000 | \$ 176,142 |
| Year-over-year growth | 7 % | 15 % | 4 % | (7) % | 3 % |
| % Third Party and Other | 90 % | 91 % | 94 % | 88 % | 87 % |
| % Direct | 10 % | 9 % | 6 % | 12 % | 13 % |
| % of North America Total Gross Billings | 25.8 % | 22.1 % | 23.0 % | 22.5 % | 22.7 % |

EMEA Segment:

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Gross Billings: | | | | | |
| Local Gross Billings | \$ 207,803 | \$ 277,472 | \$ 262,141 | \$ 227,266 | \$ 218,615 |
| Goods Gross Billings | 169,849 | 219,880 | 183,013 | 190,957 | 191,006 |
| Travel Gross Billings | 65,666 | 68,361 | 68,434 | 65,032 | 79,802 |
| Total Gross Billings | \$ 443,318 | \$ 565,713 | \$ 513,588 | \$ 483,255 | \$ 489,423 |
| Year-over-year growth | 12 % | 6 % | 4 % | - % | 10 % |
| Year-over-year growth, excluding FX ⁽⁵⁾ | 9 % | 3 % | 1 % | (4) % | 10 % |
| % Third Party and Other | 98 % | 83 % | 83 % | 80 % | 78 % |
| % Direct | 2 % | 17 % | 17 % | 20 % | 22 % |
| Gross Billings TTM | \$ 1,950,367 | \$ 1,983,599 | \$ 2,004,869 | \$ 2,005,874 | \$ 2,051,979 |

Revenue:

| | | | | | |
|-------------------------------------|------------|------------|------------|------------|------------|
| Local Revenue | \$ 92,141 | \$ 116,061 | \$ 109,120 | \$ 96,485 | \$ 90,002 |
| Goods Revenue | 41,279 | 119,274 | 106,889 | 115,413 | 123,110 |
| Travel Revenue | 14,530 | 15,870 | 14,884 | 15,792 | 16,960 |
| Total Revenue | \$ 147,950 | \$ 251,205 | \$ 230,893 | \$ 227,690 | \$ 230,072 |
| Year-over-year growth | (21) % | 43 % | 26 % | 42 % | 56 % |
| Year-over-year growth, excluding FX | (23) % | 38 % | 22 % | 36 % | 55 % |
| % Third Party and Other | 94 % | 61 % | 61 % | 57 % | 53 % |
| % Direct | 6 % | 39 % | 39 % | 43 % | 47 % |
| Revenue TTM | \$ 667,988 | \$ 742,915 | \$ 790,010 | \$ 857,738 | \$ 939,860 |

Gross Profit:

| | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|
| Local Gross Profit | \$ 81,808 | \$ 105,210 | \$ 100,066 | \$ 90,373 | \$ 83,956 |
| % of EMEA Total Local Gross Billings | 39.4 % | 37.9 % | 38.2 % | 39.8 % | 38.4 % |
| Goods Gross Profit | 28,943 | 33,526 | 27,302 | 35,432 | 32,252 |
| % of EMEA Total Goods Gross Billings | 17.0 % | 15.2 % | 14.9 % | 18.6 % | 16.9 % |
| Travel Gross Profit | 12,930 | 14,457 | 13,669 | 14,894 | 15,440 |
| % of EMEA Total Travel Gross Billings | 19.7 % | 21.1 % | 20.0 % | 22.9 % | 19.3 % |
| Total Gross Profit | \$ 123,681 | \$ 153,193 | \$ 141,037 | \$ 140,699 | \$ 131,648 |
| Year-over-year growth | (24) % | 7 % | (8) % | 1 % | 6 % |
| % Third Party and Other | 99 % | 91 % | 92 % | 85 % | 85 % |
| % Direct | 1 % | 9 % | 8 % | 15 % | 15 % |
| % of EMEA Total Gross Billings | 27.9 % | 27.1 % | 27.5 % | 29.1 % | 26.9 % |

Rest of World Segment:

| | | | | | |
|-------------------------------------|------------|------------|--------------|--------------|--------------|
| Gross Billings: | | | | | |
| Local Gross Billings | \$ 118,718 | \$ 116,824 | \$ 167,833 | \$ 170,237 | \$ 190,254 |
| Goods Gross Billings | 78,973 | 89,451 | 283,091 | 281,300 | 289,210 |
| Travel Gross Billings | 36,640 | 32,398 | 70,930 | 85,409 | 117,562 |
| Total Gross Billings | \$ 234,331 | \$ 238,673 | \$ 521,854 | \$ 536,946 | \$ 597,026 |
| Year-over-year growth | (13) % | (11) % | 123 % | 145 % | 155 % |
| Year-over-year growth, excluding FX | (4) % | (2) % | 133 % | 141 % | 147 % |
| % Third Party and Other | 97 % | 97 % | 99 % | 99 % | 98 % |
| % Direct | 3 % | 3 % | 1 % | 1 % | 2 % |
| Gross Billings TTM | \$ 956,833 | \$ 926,487 | \$ 1,214,209 | \$ 1,531,804 | \$ 1,894,499 |

Revenue:

| | | | | | |
|-------------------------------------|------------|------------|------------|------------|------------|
| Local Revenue | \$ 51,900 | \$ 40,847 | \$ 43,814 | \$ 42,711 | \$ 45,085 |
| Goods Revenue | 25,061 | 26,158 | 41,855 | 45,537 | 48,889 |
| Travel Revenue | 9,310 | 6,453 | 10,013 | 11,707 | 14,514 |
| Total Revenue | \$ 86,271 | \$ 73,458 | \$ 95,682 | \$ 99,955 | \$ 108,488 |
| Year-over-year growth | (4) % | (15) % | 23 % | 40 % | 26 % |
| Year-over-year growth, excluding FX | 7 % | (6) % | 35 % | 44 % | 26 % |
| % Third Party and Other | 91 % | 90 % | 94 % | 93 % | 90 % |
| % Direct | 9 % | 10 % | 6 % | 7 % | 10 % |
| Revenue TTM | \$ 322,597 | \$ 309,382 | \$ 327,014 | \$ 355,366 | \$ 377,583 |

Gross Profit:

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Local Gross Profit | \$ 44,435 | \$ 33,596 | \$ 34,748 | \$ 35,618 | \$ 38,592 |
| % of Rest of World Total Local Gross Billings | 37.4 % | 28.8 % | 20.7 % | 20.9 % | 20.3 % |
| Goods Gross Profit | 12,016 | 11,781 | 22,135 | 24,623 | 22,877 |
| % of Rest of World Total Goods Gross Billings | 15.2 % | 13.2 % | 7.8 % | 8.8 % | 7.9 % |

| | | | | | |
|---|---------------|---------------|---------------|---------------|--------------|
| Travel Gross Profit | 7,921 | 5,312 | 8,133 | 8,922 | 10,885 |
| <i>% of Rest of World Total Travel Gross Billings</i> | <u>21.6 %</u> | <u>16.4 %</u> | <u>11.5 %</u> | <u>10.4 %</u> | <u>9.3 %</u> |
| Total Gross Profit | \$ 64,372 | \$ 50,689 | \$ 65,016 | \$ 69,163 | \$ 72,354 |
| <i>Year-over-year growth</i> | 1 % | (16) % | 23 % | 37 % | 12 % |
| <i>% Third Party and Other</i> | 99 % | 101 % | 102 % | 100 % | 102 % |
| <i>% Direct</i> | 1 % | (1) % | (2) % | - % | (2) % |
| <i>% of Rest of World Total Gross Billings</i> | 27.5 % | 21.2 % | 12.5 % | 12.9 % | 12.1 % |

Consolidated Results of Operations:

Gross Billings:

| | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Local Gross Billings | \$ 732,434 | \$ 833,427 | \$ 886,926 | \$ 858,869 | \$ 855,442 |
| Goods Gross Billings | 443,387 | 595,370 | 709,000 | 719,875 | 723,109 |
| Travel Gross Billings | 166,827 | 164,310 | 221,285 | 240,302 | 282,184 |
| Total Gross Billings | <u>\$ 1,342,648</u> | <u>\$ 1,593,107</u> | <u>\$ 1,817,211</u> | <u>\$ 1,819,046</u> | <u>\$ 1,860,735</u> |
| <i>Year-over-year growth</i> | 10 % | 5 % | 29 % | 29 % | 39 % |
| <i>Year-over-year growth, excluding FX</i> | 11 % | 5 % | 30 % | 27 % | 37 % |
| <i>% Third Party and Other</i> | 85 % | 77 % | 82 % | 81 % | 81 % |
| <i>% Direct</i> | 15 % | 23 % | 18 % | 19 % | 19 % |
| Gross Billings TTM | \$ 5,684,675 | \$ 5,757,330 | \$ 6,166,772 | \$ 6,572,012 | \$ 7,090,099 |
| <i>Year-over-year growth</i> | 12 % | 7 % | 14 % | 18 % | 25 % |

Revenue:

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Local Revenue | \$ 306,387 | \$ 318,509 | \$ 330,181 | \$ 303,696 | \$ 296,999 |
| Goods Revenue | 252,254 | 413,713 | 386,179 | 402,576 | 410,954 |
| Travel Revenue | 36,418 | 36,225 | 41,277 | 45,304 | 49,101 |
| Total Revenue | <u>\$ 595,059</u> | <u>\$ 768,447</u> | <u>\$ 757,637</u> | <u>\$ 751,576</u> | <u>\$ 757,054</u> |
| <i>Year-over-year growth</i> | 5 % | 20 % | 26 % | 23 % | 27 % |
| <i>Year-over-year growth, excluding FX</i> | 6 % | 20 % | 26 % | 22 % | 27 % |
| <i>% Third Party and Other</i> | 66 % | 52 % | 56 % | 54 % | 53 % |
| <i>% Direct</i> | 34 % | 48 % | 44 % | 46 % | 47 % |
| Revenue TTM | \$ 2,443,510 | \$ 2,573,655 | \$ 2,729,890 | \$ 2,872,719 | \$ 3,034,714 |
| <i>Year-over-year growth</i> | 12 % | 10 % | 15 % | 19 % | 24 % |

Gross Profit:

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Local Gross Profit | \$ 265,133 | \$ 279,750 | \$ 287,436 | \$ 268,665 | \$ 260,737 |
| <i>% of Total Consolidated Local Gross Billings</i> | 36.2 % | 33.6 % | 32.4 % | 31.3 % | 30.5 % |
| Goods Gross Profit | 62,568 | 66,337 | 62,041 | 83,016 | 79,082 |
| <i>% of Total Consolidated Goods Gross Billings</i> | 14.1 % | 11.1 % | 8.8 % | 11.5 % | 10.9 % |
| Travel Gross Profit | 31,921 | 32,121 | 36,244 | 38,181 | 40,325 |
| <i>% of Total Consolidated Travel Gross Billings</i> | 19.1 % | 19.5 % | 16.4 % | 15.9 % | 14.3 % |
| Total Gross Profit | <u>\$ 359,622</u> | <u>\$ 378,208</u> | <u>\$ 385,721</u> | <u>\$ 389,862</u> | <u>\$ 380,144</u> |
| <i>Year-over-year growth</i> | (7) % | 6 % | 2 % | 1 % | 6 % |
| <i>% Third Party and Other</i> | 95 % | 92 % | 94 % | 89 % | 89 % |
| <i>% Direct</i> | 5 % | 8 % | 6 % | 11 % | 11 % |
| <i>% of Total Consolidated Gross Billings</i> | 26.8 % | 23.7 % | 21.2 % | 21.4 % | 20.4 % |
| Adjusted EBITDA | \$ 62,302 | \$ 71,988 | \$ 40,301 | \$ 59,056 | \$ 66,987 |
| <i>% of Total Consolidated Gross Billings</i> | 4.6 % | 4.5 % | 2.2 % | 3.2 % | 3.6 % |
| <i>% of Total Consolidated Revenue</i> | 10.5 % | 9.4 % | 5.3 % | 7.9 % | 8.8 % |

Free cash flow is a non-GAAP financial measure. The following is a reconciliation of free cash flow to the most comparable U.S. GAAP financial measure, "Net cash provided by (used in) operating activities."

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net cash (used in) provided by operating activities | \$ (11,905) | \$ 178,275 | \$ (20,717) | \$ (22,747) | \$ 45,466 |
| Purchases of property and equipment and capitalized software | <u>(15,064)</u> | <u>(19,931)</u> | <u>(16,355)</u> | <u>(31,053)</u> | <u>(20,053)</u> |
| Free cash flow | \$ (26,969) | \$ 158,344 | \$ (37,072) | \$ (53,800) | \$ 25,413 |
| Net cash provided by operating activities (TTM) | \$ 105,874 | \$ 218,432 | \$ 188,955 | \$ 122,906 | \$ 180,277 |
| Purchases of property and equipment and capitalized software (TTM) | <u>(83,608)</u> | <u>(63,505)</u> | <u>(65,392)</u> | <u>(82,403)</u> | <u>(87,392)</u> |
| Free cash flow (TTM) | \$ 22,266 | \$ 154,927 | \$ 123,563 | \$ 40,503 | \$ 92,885 |
| Net cash used in investing activities | \$ (26,444) | \$ (23,330) | \$ (138,608) | \$ (34,498) | \$ (20,461) |
| Net cash used in financing activities | \$ (8,970) | \$ (55,444) | \$ (41,492) | \$ (114,753) | \$ (16,823) |
| Net cash used in investing activities (TTM) | \$ (125,738) | \$ (96,315) | \$ (204,244) | \$ (222,880) | \$ (216,897) |

| | | | | | | | | | | |
|---|----|----------|----|----------|----|-----------|----|-----------|----|-----------|
| Net cash used in financing activities (TTM) | \$ | (32,748) | \$ | (81,697) | \$ | (113,847) | \$ | (220,659) | \$ | (228,512) |
|---|----|----------|----|----------|----|-----------|----|-----------|----|-----------|

Other Metrics:

Active Customers ⁽⁶⁾

| | | | | | | | | | | |
|---------------------------------------|--|------|--|------|--|------|--|------|--|------|
| North America | | 19.9 | | 20.8 | | 21.8 | | 22.6 | | 23.5 |
| EMEA | | 14.0 | | 14.2 | | 14.5 | | 14.5 | | 14.9 |
| Rest of World ⁽⁷⁾ | | 8.7 | | 8.7 | | 14.1 | | 14.5 | | 14.3 |
| Total Active Customers ⁽⁸⁾ | | 42.6 | | 43.7 | | 50.4 | | 51.6 | | 52.7 |

TTM Gross Billings / Average Active Customer ⁽⁹⁾

| | | | | | | | | | | |
|------------------------------|----|-----|----|-----|----|-----|----|-----|----|-----|
| North America | \$ | 155 | \$ | 150 | \$ | 147 | \$ | 145 | \$ | 145 |
| EMEA | \$ | 137 | \$ | 139 | \$ | 141 | \$ | 141 | \$ | 142 |
| Rest of World ⁽⁷⁾ | \$ | 109 | \$ | 104 | \$ | 106 | \$ | 132 | \$ | 165 |
| Consolidated ⁽⁸⁾ | \$ | 139 | \$ | 137 | \$ | 135 | \$ | 141 | \$ | 149 |

Headcount

| | | | | | | | | | | |
|-----------------------|--|--------|--|--------|--|--------|--|--------|--|--------|
| Sales ⁽¹⁰⁾ | | 4,801 | | 4,834 | | 5,231 | | 5,057 | | 4,929 |
| % North America | | 28 % | | 29 % | | 27 % | | 26 % | | 26 % |
| % EMEA | | 37 % | | 37 % | | 37 % | | 39 % | | 39 % |
| % Rest of World | | 35 % | | 34 % | | 36 % | | 35 % | | 35 % |
| Other | | 6,453 | | 6,449 | | 7,099 | | 6,888 | | 6,827 |
| Total Headcount | | 11,254 | | 11,283 | | 12,330 | | 11,945 | | 11,756 |

(1) Represents the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of estimated refunds.

(2) Local represents deals from local merchants, deals with national merchants, and deals through local events. Other revenue transactions, which include advertising, payment processing, point of sale and commission revenue, were previously aggregated with our Travel category. During the three months ended March 31, 2014, the Company updated its presentation of category information to include gross billings, revenue and gross profit from those other revenue sources within the Local category, and prior period category information has been retrospectively adjusted to conform to the current period presentation.

(3) Includes third party revenue, direct revenue and other revenue. Third party revenue is related to sales for which the Company acts as a marketing agent for the merchant. This revenue is recorded on a net basis. Direct revenue is primarily related to the sale of products for which the Company is the merchant of record. These revenues are accounted for on a gross basis, with the cost of inventory included in cost of revenue. Other revenue primarily consists of advertising revenue, payment processing revenue, point of sale revenue and commission revenue.

(4) Represents third party revenue, direct revenue and other revenue reduced by cost of revenue. Cost of revenue is comprised of direct and certain indirect costs incurred to generate revenue. Third party cost of revenue includes estimated refunds for which the merchant's share is not recoverable. Direct cost of revenue includes the cost of inventory, shipping and fulfillment costs and inventory markdowns. Other costs incurred to generate revenue are allocated to cost of third party and other revenue and direct revenue for each of our categories (Local, Goods, and Travel) in proportion to gross billings during the period.

(5) Represents the change in financial measures that would have resulted had average exchange rates in the reporting periods been the same as those in effect in the prior year period.

(6) Reflects the total number of unique user accounts who have purchased a voucher or product from us during the trailing twelve months.

(7) Active customers in our Rest of World segment as of September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 have been reduced by 0.9 million, 1.2 million, 1.4 million, and 1.6 million, respectively, from the amounts previously reported to correct that operational information. Those adjustments increased TTM gross billings per average active customer in our Rest of World segment for the 12-month periods ended September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 by \$7, \$9, \$9, and \$13, respectively, from the amounts previously reported.

(8) The adjustments of active customers in our Rest of World segment as of September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014, described in footnote (7) above, reduced consolidated active customers by the same amounts. Those adjustments increased consolidated TTM gross billings per average active customer for the 12-month periods ended September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 by \$2, \$3, \$3, and \$4, respectively, from the amounts previously reported.

(9) Reflects the total gross billings generated in the trailing twelve months per average active customer over that period.

(10) Includes merchant sales representatives, as well as sales support.

(11) The definition, methodology and appropriateness of each of our supplemental metrics is reviewed periodically. As a result, metrics are subject to removal and/or change.

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