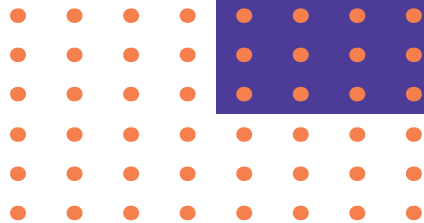
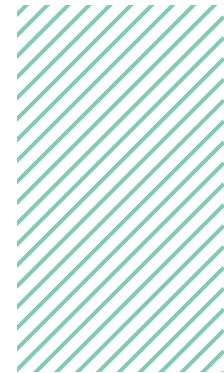


# 2018

Annual Report



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# Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

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

For the fiscal year ended December 31, 2018

OR

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

OR

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

Date of event requiring this shell company report

Commission file number: 001-37959

## trivago N.V.

(Exact name of Registrant as specified in its charter)

**trivago Corporation**

(Translation of Registrant's name into English)

**The Netherlands**

(Jurisdiction of incorporation or organization)

**Kesselstrasse 5 - 7, 40221 Düsseldorf, Federal Republic of Germany**

(Address of principal executive offices)

**Rolf Schrömgens, +49 211 3876840000, Kesselstrasse 5 - 7, 40221 Düsseldorf, Federal Republic of Germany**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<b>American Depositary Shares, each representing one Class A share, nominal value €0.06 per share</b>	<b>The NASDAQ Stock Market LLC</b>
<b>Class A shares, nominal value €0.06 per share*</b>	<b>The NASDAQ Stock Market LLC*</b>

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**42,559,884 Class A shares**

**308,687,967 Class B shares**

(as of December 31, 2018)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a "large accelerated filer," an "accelerated filer," a "non-accelerated filer" or an "emerging growth company."

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the  
International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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## General

As used herein, references to “we,” “us,” the “company,” or “trivago,” or similar terms in this Annual Report on Form 20-F shall mean trivago N.V. and, as the context requires, its subsidiaries.

Our financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP. Unless otherwise specified, all monetary amounts are in euros. All references in this annual report to “\$,” “US\$,” “U.S.\$,” “U.S. dollars,” “dollars” and “USD” mean U.S. dollars, and all references to “€” and “euros,” mean euros, unless otherwise noted.

We have historically conducted our business through trivago GmbH, and therefore our historical financial statements prior to our initial public offering, or IPO, present the results of operations and financial condition of trivago GmbH and its controlled subsidiaries. In connection with our IPO, trivago N.V. became the holding company of trivago GmbH, and the historical consolidated financial statements of trivago GmbH became the historical consolidated financial statements of trivago N.V. On September 7, 2017, the merger of trivago GmbH into and with trivago N.V. became effective. We refer to such merger as the cross-border merger. Pursuant to the cross-border merger, Messrs. Schrömgens, Vinnemeier and Siewert (whom we collectively refer to as our Founders) exchanged all of their units of trivago GmbH remaining after our pre-IPO corporate reorganization for Class B shares of trivago N.V.

The historical financial statements of trivago GmbH and its controlled subsidiaries made reference to the members’ equity as trivago GmbH Class A units and trivago GmbH Class B units. The equity of a GmbH is not unitized into shares under German corporate law. However, pursuant to the company’s articles of association, we unitized members’ equity into trivago GmbH Class A units and Class B units, with each trivago GmbH Class B unit having 1/1,000 of the voting rights and economic rights of a trivago GmbH Class A unit.

## Special note regarding forward-looking statements

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management’s beliefs and assumptions and on information currently available to our management. All statements other than present and historical facts and conditions contained in this annual report, including statements regarding our future results of operations and financial positions, business strategy, plans and our objectives for future operations, are forward-looking statements. When used in this annual report, the words “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would,” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to grow our revenue in future periods, or at rates deemed sufficient by the market without reducing our profits or incurring losses;
- our dependence on a relatively small number of advertisers for our revenue and adverse impacts that could result from their reduced spending or changes in their bidding strategy;
- factors that contribute to our period-over-period volatility in our financial condition and result of operations;
- our dependence on general economic conditions and adverse impacts that could result from declines in travel or discretionary spending;
- the effectiveness of our Advertising Spend, including as a result of increased competition or inadequate or ineffective innovation in or execution of our advertising;
- the effectiveness of our measures to increase advertiser diversity on our marketplace;

- increasing competition and consolidation in our industry;
- our focus on hotel and other accommodations if users expect other services;
- our ability to innovate and provide tools and services that are useful to our users and advertisers;
- our dependence on relationships with third parties to provide us consumer reviews;
- our reliance on search engines, which may change their business models or algorithms;
- changes to and our compliance with applicable laws, rules and regulations;
- the impact of any legal and regulatory proceedings to which we are or may become subject;
- potential disruptions in the operation of our systems, security breaches and data protection; and
- impacts from our operating globally.

You should refer to the section of this annual report titled "*Item 3 D. Risk factors*" for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this annual report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this annual report and the documents that we reference in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

## PART I

### **Item 1: Identity of directors, senior management and advisers**

Not applicable.

### **Item 2: Offer statistics and expected timetable**

Not applicable.

### **Item 3: Key information**

#### **A. Selected financial data**

We have derived the data we present in the tables below from our audited consolidated financial statements for the years presented. You should read all of the data in the tables below together with the consolidated financial statements and notes included in "*Item 18 Financial statements*" and the information we provide in "*Item 5 Operating and financial review and prospects*." For fiscal years ended December 31, 2014, 2015 and 2016, refer to our previously filed annual reports on Form 20-F. Our financial statements are prepared in accordance with U.S. GAAP.

## Statement of operations data

(in thousands, except per share data)

	Year ended December 31,				
	2014	2015	2016	2017	2018
<b>Consolidated statement of operations:</b>					
Revenue	€ 209,137	€ 298,842	€ 485,942	€ 667,802	€ 583,395
Revenue from related party	100,195	194,241	268,227	367,581	331,421
<b>Total revenue</b>	<b>309,332</b>	<b>493,083</b>	<b>754,169</b>	<b>1,035,383</b>	<b>914,816</b>
<b>Costs and expenses:</b>					
Cost of revenue, including related party, excluding amortization <sup>(1)(3)</sup>	1,443	2,946	4,273	5,930	5,435
Selling and marketing <sup>(1)(3)(6)</sup>	286,234	461,219	673,224	946,925	805,633
Technology and content, including related party <sup>(1)(2)(3)</sup>	15,388	28,693	51,658	52,232	66,904
General and administrative, including related party <sup>(1)(2)(3)</sup>	6,536	18,065	55,602	47,444	54,326
Amortization of intangible assets <sup>(2)</sup>	30,025	30,030	13,857	3,220	1,684
Operating loss	(30,294)	(47,870)	(44,445)	(20,368)	(19,166)
<b>Other income (expense):</b>					
Interest expense	(11)	(147)	(137)	(44)	(1,839)
Gain on deconsolidation of entity	—	—	—	2,007	—
Other, net	(1,435)	(2,667)	(139)	592	539
<b>Total other income (expense), net</b>	<b>(1,446)</b>	<b>(2,814)</b>	<b>(276)</b>	<b>2,555</b>	<b>(1,300)</b>
<b>Income/(loss) before income taxes</b>	<b>(31,740)</b>	<b>(50,684)</b>	<b>(44,721)</b>	<b>(17,813)</b>	<b>(20,466)</b>
Expense/(benefit) for income taxes	(8,644)	(11,318)	6,670	(4,764)	1,086
Income/(loss) before equity method investment	(23,096)	(39,366)	(51,391)	(13,049)	(21,552)
Income from equity method investment	—	—	—	—	63
Net loss	(23,096)	(39,366)	(51,391)	(13,049)	(21,489)
Net loss attributable to noncontrolling interests	—	239	710	568	—
<b>Net loss attributable to trivago N.V.</b>	<b>€ (23,096)</b>	<b>€ (39,127)</b>	<b>€ (50,681)</b>	<b>€ (12,481)</b>	<b>€ (21,489)</b>
<b>Earnings per share attributable to trivago N.V. available to common stockholders<sup>(4)</sup></b>					
Basic and diluted			€ 0.00	€ (0.05)	€ (0.06)
<b>Shares used in computing earnings per share<sup>(4)</sup></b>					
Basic and diluted			237,811	274,666	350,852
<b>Key performance indicator:</b>					
Adjusted EBITDA <sup>(5)</sup>	€ 3,513	€ (1,062)	€ 28,217	€ 6,679	€ 14,590



(1) Includes share-based compensation as follows:

(in thousands)	Year ended December 31,				
	2014	2015	2016 <sup>(a)</sup>	2017	2018
Cost of revenue	€ —	€ 238	€ 737	€ 115	€ 184
Selling and marketing	1,052	3,360	10,913	3,514	3,273
Technology and content, net of capitalized internal-use software and website development costs	1,207	4,545	15,816	3,614	5,260
General and administrative	€ 123	5,986	26,256	8,782	11,985

(a) Share-based compensation expense is primarily attributable to liability award accounting treatment for share-based awards granted in prior periods, see Note 10—Share-based awards and other equity instruments in the notes to our consolidated financial statements.

(2) Includes amortization as follows:

(in thousands)	Year ended December 31,				
	2014	2015	2016	2017	2018
Amortization of Internal use software and website development costs included in technology and content	€ 191	€ 475	€ 1,410	€ 1,742	€ 2,214
Amortization of Internal use software costs included in general and administrative	€ 0	—	—	408	785
Amortization of acquired technology included in amortization of intangible assets	€ 19,927	19,927	3,750	59	278

(3) Includes related party expense as follows:

(in thousands)	Year ended December 31,				
	2014	2015	2016	2017	2018
Cost of revenue	€ —	€ —	€ —	€ 68	€ 59
Selling and marketing	—	—	—	—	42
Technology and content	—	—	—	361	700
General and administrative	1,506	3,015	5,128	109	9

(4) Represents earnings per share of Class A and Class B common stock and weighted-average shares of Class A and Class B common stock outstanding for the period from December 16, 2016 to December 31, 2016, the period following the capitalization of the parent company and IPO, and for the period from January 1, 2017 to December 31, 2018 (see Note 14—Earnings per share).

(5) We define adjusted EBITDA as net loss plus: (1) income/(loss) from equity method investment (2) expense (benefit) for income taxes; (3) total other income (expense), net; (4) depreciation of property and equipment, including amortization of internal use software and website development; (5) amortization of intangible assets; and (6) share-based compensation.

Adjusted EBITDA is a non-GAAP financial measure. A “non-GAAP financial measure” refers to a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in such company’s financial statements. We present this non-GAAP financial measure because it is used by management to evaluate our operating performance, formulate business plans, and make strategic decisions on capital allocation. We also believe that this non-GAAP financial measure provides useful information to investors and others in understanding and evaluating our operating performance and consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods.

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

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and
- Other companies, including companies in our own industry, may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

(6) Includes €1.0 million of selling and marketing expense for the year ended December 31, 2018 that was not included in our unaudited results for the fourth quarter ended December 31, 2018.

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

(in thousands) (unaudited)	Year ended December 31,				
	2014	2015	2016	2017	2018
Net loss	€ (23,096)	€ (39,366)	€ (51,391)	€ (13,049)	€ (21,489)
Income from equity method investment	—	—	—	—	63
<b>Loss before equity method investment</b>	<b>(23,096)</b>	<b>(39,366)</b>	<b>(51,391)</b>	<b>(13,049)</b>	<b>(21,552)</b>
Expense (benefit) for income taxes	(8,644)	(11,318)	6,670	(4,764)	1,086
<b>Loss before income taxes</b>	<b>(31,740)</b>	<b>(50,684)</b>	<b>(44,721)</b>	<b>(17,813)</b>	<b>(20,466)</b>
Add/(less):					
Interest expense	11	147	137	44	1,839
Gain on deconsolidation of entity	—	—	—	(2,007)	0
Other, net <sup>(i)</sup>	1,435	2,667	139	(592)	(539)
<b>Operating loss</b>	<b>(30,294)</b>	<b>(47,870)</b>	<b>(44,445)</b>	<b>(20,368)</b>	<b>(19,166)</b>
Add:					
Depreciation (property and equipment, internal-use software and website development)	1,400	2,649	5,083	7,802	11,370
Amortization of intangible assets	30,025	30,030	13,857	3,220	1,684
<b>EBITDA</b>	<b>1,131</b>	<b>(15,191)</b>	<b>(25,505)</b>	<b>(9,346)</b>	<b>(6,112)</b>
Add:					
Share-based compensation	2,382	14,129	53,722	16,025	20,702
<b>Adjusted EBITDA</b>	<b>€ 3,513</b>	<b>€ (1,062)</b>	<b>€ 28,217</b>	<b>€ 6,679</b>	<b>€ 14,590</b>

(i) Consists primarily of foreign exchange gain/loss in the years ended December 31, 2014, 2015, 2016, 2017 and 2018, the non-recurring reversal of a €1.6 million indemnification asset in 2015 related to the 2013 acquisition by Expedia Group, Inc. (formerly Expedia, Inc.), income from American Depositary Shares offset by custodial fees related to American Depositary Shares in 2017 and 2018, income from the canteen of our corporate headquarters in 2018, government subsidies for research and development activities in 2017 and 2018, and rent income for office subleases in 2018.

## Balance sheet data

The following table sets forth selected consolidated statement of financial position data as of the dates indicated:

(in thousands)	As of December 31,				
	2014	2015	2016	2017	2018
Cash and cash equivalents	€ 6,142	€ 17,556	€ 227,298	€ 190,201	€ 161,871
Total assets	750,798	760,255	1,007,246	1,078,454	1,095,543
Total current liabilities	15,975	72,009	61,103	78,387	60,921
Net assets	664,568	624,356	854,071	853,975	853,583
Retained earnings (accumulated deficit)	(90,029)	(129,156)	(179,837)	(192,318)	(213,664)
Total stockholders' equity	€ 664,568	622,280	654,258	853,975	853,583

As of December 31, 2018, we had American Depositary Shares, or ADSs, representing 42,559,884 Class A shares outstanding and 308,687,967 Class B shares outstanding. Prior to our corporate reorganization in connection with our IPO, we operated as trivago GmbH, a limited liability company formed under the laws of the Federal Republic of Germany. The equity of a GmbH is not unitized into shares under German corporate law. However, pursuant to the company's articles of association, we unitized members' equity into trivago GmbH Class A units and Class B units, with each trivago GmbH Class B unit having 1/1,000 of the voting rights and economic rights of a trivago GmbH Class A unit. The subscribed capital of trivago GmbH as of December 31, 2014 and 2015 was €0.04 million and €0.05 million, and the issued capital of trivago N.V. as of December 31, 2016, 2017 and 2018 was €127.2 million, €193.7 million and €187.8 million, respectively.

## Selected consolidated cash flow statement data

The following table sets forth selected consolidated cash flow statement data for the periods indicated:

(in thousands)	Year Ended December 31,				
	2014	2015	2016	2017	2018
Cash provided by (used in):					
Operating activities	€ 630	€ (831)	€ 31,346	€ (8,521)	€ (4,584)
Investing activities	(4,623)	(6,510)	(8,995)	(18,286)	(24,145)
Financing activities	1,039	18,971	187,644	(7,216)	161
Effect of exchange rate changes on cash	€ 105	(32)	(54)	(1,259)	(24)

### B. Capitalization and indebtedness

Not applicable.

### C. Reasons for the offer and use of proceeds

Not applicable.

#### **D. Risk factors**

*Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the United States Securities and Exchange Commission, or the SEC, including the following risks that we face and that are faced by our industry. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This annual report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements as a result of certain factors including the risks described below and elsewhere in this annual report and our other SEC filings. See “Special note regarding forward-looking statements” above.*

##### ***Risks related to our industry and business***

**We may not be able to grow our revenue in future periods, or at rates deemed sufficient by the market without reducing our profits or incurring losses.**

We achieved positive net income in the second half of 2018 by making significant reductions in our Advertising Spend to adapt to the changing dynamics on our marketplace. These reductions resulted in a decline in revenue for the year 2018 compared to 2017. We expect to continue to report declines in revenue until comparable prior periods also include the impact on revenue from reductions in our Advertising Spend. After these reductions are also reflected in our prior-period financial results, we believe the degree to which we are able to return to revenue growth without reducing our profits or incurring losses will be an important factor in how our business will be valued by the market. We may not be able to increase our revenue in future periods without reducing our profits or incurring losses, or our revenue may decline even when we are unprofitable. This may occur for any number of reasons, and may reflect:

- declines in the emphasis that our advertisers wish to place on our hotel metasearch as an advertising channel, particularly as we increasingly compete with them for traffic on other advertising channels, including on television and in auctions for search engine keywords (including bidding for trivago-related keywords);
- possible reductions in the marginal returns from our Advertising Spend reflecting changes in the effectiveness of our advertising over time, and our brand awareness in light of the strategies of our competitors as they may choose to increase their Advertising Spend;
- the possibility that our advertisers prioritize profitability over of traffic growth when they set their return-on-investment targets for their spend on our marketplace;
- a slowdown or reduction in our ability to attract and retain users in an increasingly competitive environment, or a loss of users for other reasons, such as a failure to deliver satisfactory search results, transaction experiences or high-quality services;
- the maturation of our business such that future growth rates could be muted unless we reduce our profits or incur losses from increased Advertising Spend;
- the emergence of alternative business models and new competitors; and
- slowing growth of the overall online hotel search market, for example, as a result of market saturation in more mature markets or deteriorating general or local economic conditions.

In any event, we do not expect our revenue growth rate in coming years to be as high as those we experienced in years prior to 2017 and, accordingly, we expect the variability, cyclical and seasonality in our business to continue to be more pronounced or at least more apparent. This may result in greater fluctuations of our revenue, cash flows, results of operations and other key performance measures from period to period or among segments, and may affect the price of our ADSs and increase their trading volatility. In addition, our revenue may not increase at the same rate as in years prior to 2018 or at all. If our revenue continues to decline, our business, results of operations, financial condition and prospects may be adversely affected, and the price of our ADSs may decline.

**We derive a large portion of our revenue from a relatively small number of advertisers. A reduction in spending or any change in their bidding strategy by one or more of these advertisers could harm our business and negatively affect our financial condition and results of operations.**

Our "cost-per-click," or CPC, pricing for click-based advertising depends, in part, on competition among advertisers on our marketplace, with advertisers that pay higher CPCs generally receiving better advertising placement and more referrals from us. Although we aim to improve advertiser diversification and competition on our marketplace in the long term, we continue to generate the great majority of our revenue from our largest online travel agency, or OTA, advertisers. For the years ended December 31, 2016, 2017 and 2018, we generated 43%, 44% and 39% of our total revenue, respectively, from Booking Holdings (formerly, The Priceline Group), including its affiliated brands Booking.com and Agoda. Brands affiliated with our majority shareholder, Expedia Group, Inc., or together with its subsidiaries, Expedia Group, accounted for 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively.

Our ability to grow revenue from our existing advertisers, whether large or not, is dependent to a significant extent on our ability to maintain and diversify our relationships with them. Advertisers are likely to reduce their advertising on our platform or cease it altogether if their Advertising Spend does not generate referrals, customers, bookings or revenue and profit for them on a basis they deem to be cost-effective. Advertisers may reduce or cease their advertising on our platforms for reasons not related to the value we can deliver to them, such as a weakening of their own financial or business conditions or external economic effects. The loss of any of our major advertisers, including Booking Holdings, Expedia Group or their affiliated brands, on some or all of our platforms, or a reduction in the amount they spend, could result in significant decreases in our revenue and profit, as well as an increase in credit losses if such advertisers or affiliated brands fail to pay us, and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Even if we improve our product and deliver value to our advertisers, the fact that a significant portion of our revenue is generated from brands affiliated with Booking Holdings and Expedia Group can permit them, depending on marketplace dynamics, to adjust their CPC bids and obtain the same or increased levels of referrals, customers, bookings or revenue and profit at lower cost. This can occur if one or more advertisers with sufficient market share to influence our aggregate CPC levels change their return-on-investment targets for their spend on our marketplace. We believe that, in 2018, changes in our advertisers' return-on-investment targets negatively affected our share of the overall booking revenue generated by them from referrals on our platform and negatively impacted our Referral Revenue levels. Our advertisers may also change their CPC bidding on our marketplace in response to changes we may make to our sorting and ranking algorithm, which may, in turn, negatively impact our revenue levels and profitability. This appeared to be the case in the fourth quarter of 2017 when some of our largest advertisers tested their landing pages in response to a new version of the relevance assessment, which reflects our assessment of the quality of users' experience after clicking out to an advertiser from our website and functions as an adjustment to advertisers' CPC bids in our marketplace auction process. This could also be the case in the future if we make further changes to the relevance assessment or decide, as a result of discussions with our advertisers, to eliminate it entirely.

Our advertisers may also change their bidding strategies on our marketplace to maximize the effectiveness of their spend on other marketing channels, particularly in auctions for search engine keywords on Google. We regularly compete with our advertisers on these marketing channels and adjust our spending on those channels based on trends we see in our results. If changes in large advertisers' strategies on our marketplace cause us to spend significantly less on these marketing channels, we would also generate fewer Qualified Referrals and, as a result, our revenue and results of operations would be adversely affected. Such advertisers may also experience improvements in their competitiveness on such other channels, providing them with additional financial benefits from pursuing such a strategy.

If we are unable to increase the diversity of our advertiser base, we will continue to be subject to the risks that advertiser concentration could lead to the adverse effects described above. The manifestation of any of these risks is likely to have a material adverse effect on our business, results of operations, financial condition and prospects.

**We are subject to a number of factors that contribute to significant period-to-period volatility in our financial condition and results of operations. These factors have impacted and may continue to negatively impact our ability to meet the financial guidance that we communicate to the market.**

Our financial condition and results of operations have varied and may continue to vary considerably from period to period. This was reflected in the quarter-to-quarter changes in our profitability in 2018, the decline in revenue that we experienced in 2018 and the rapid slowdown in revenue growth that we experienced in the second half of 2017. We cannot reliably predict our advertisers' future advertising spend or CPC levels or other strategic goals they hope to achieve through changes in bidding on our marketplace and, as a result, it is difficult for us to forecast advertiser demand, especially since our advertisers can and often do change their CPC bidding levels with little or no notice to us. Resulting changes in Referral Revenue, especially as a result of changes in CPC bidding levels by our largest advertisers, can result in our not having enough time to pull back our Advertising Spend, particularly on television, quickly enough to respond to the speed of the change in revenue levels. As we spend the great majority of our revenue on advertising, such a failure to pull back Advertising Spend quickly enough can have a rapid and significant adverse effect on our profitability and results of operations.

In addition, almost all of our agreements with OTAs, hotel chains and independent hotels may be terminated at will or upon three to seven days' prior notice by either party. As a result, the financial guidance that we provide is subject to significant uncertainty, especially when the factors above are considered together with other trends, such as changing foreign exchange rates, user demand for travel services, regional and global economic conditions and other external factors that may impact our users' discretionary spending. These fluctuations and any resulting inability to meet financial guidance may have a material adverse effect on our business, results of operations, financial condition and prospects.

**We are dependent on general economic conditions, and declines in travel or discretionary spending generally could reduce the demand for our services.**

Our results of operations and financial prospects are significantly dependent upon users of our services and the prosperity and solvency of the OTAs, hotel chains and independent hotels that have relationships with us. Travel, including hotel room reservations, is dependent on personal and business discretionary spending levels. Demand for travel services tends to decline, along with the advertising budgets spent by hotels and other accommodation aggregators, during general economic downturns and recessions. Events and developments that cause deteriorations in economic conditions on a national, regional or global level, or are perceived as likely to lead to such deteriorations, can quickly affect our business. In particular, our financial results may be adversely impacted by economic uncertainty arising from continued uncertainty relating to the United Kingdom's anticipated withdrawal from the European Union, or Brexit. Conditions that reduce disposable income or consumer confidence, such as an increase in interest rates (which, among other things, could cause consumers to incur higher monthly expenses under mortgages), unemployment rates, direct or indirect taxes, fuel prices or other costs of living, may lead users to reduce or stop their spending on travel or to opt for lower-cost products and services, and these conditions may be particularly prevalent during periods of recession, economic downturn or market volatility and disruption. International travel may also be affected by changes in exchange rates among significant origin and destination countries.

Any significant decline in travel, consumer discretionary spending or the occurrence of any of the foregoing conditions may reduce demand for our services. They can also cause advertisers to become financially distressed, insolvent or fail to pay us for services we have already provided. The occurrence of any of the above could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Our ability to maintain and increase brand awareness in order to improve our financial performance and return to revenue growth is dependent on the effectiveness of our Advertising Spend. Increased competition, or inadequate or ineffective innovation in and execution of our advertising could harm our business and negatively affect our financial condition and results of operations.**

We rely heavily on the trivago brand. Awareness, perceived quality and perceived differentiated attributes of our brand are important aspects of our efforts to attract and expand the number of users of our websites and apps. Many of our competitors have more resources than we do and can spend more on advertising their brands and services. As a result, we are required to spend considerable amounts of money and other resources to preserve and increase our brand awareness. Competition for top-of-mind awareness and brand preference is intense among online hotel search services, globally and in key geographies. If we are unable to effectively preserve and increase our brand awareness, we may be unable to successfully maintain or enhance the strength of our brand.

In recent years, we have engaged in successful broad-reaching TV marketing campaigns. We expect to continue to invest in TV marketing campaigns, including in geographies where our brand is less well known. As we make these investments, we may observe increasing prices in light of increased spending from competitors or may see reduced benefits from our advertising due to, among other things, increasing traffic share growth of search engines as destination sites for users. In addition, our advertising efforts may become less cost-effective or less efficient than they have been historically.

In order to maintain or increase the effectiveness of our TV advertisements, we may need to develop new creative concepts in our advertisements, and these advertisements may not be as effective in terms of Return on Advertising Spend as those we have used in the past.

In addition, our competitors may increase their spending on advertisement campaigns, which could cause the marginal returns on our advertisements to decline. This may occur even if we make substantial investments in innovative technologies and concepts in our advertising. Increased Advertising Spend by our competitors could also result in significant increases in the pricing of one or more of our marketing and advertising channels, which could increase our costs for advertising (which already consume most of our revenue) or cause us to choose less costly but less effective marketing and advertising channels.

TV advertising accounts for a large percentage of our Advertising Spend, and often has higher costs than other channels. Our marginal returns from TV advertising may also be negatively affected over time by declining viewership in certain age groups and changes in viewing patterns that reduce viewer exposure to advertising. If TV advertising becomes less effective or if we experience diminishing returns from TV advertising overall or in key markets, we may instead invest in other, more expensive channels, which may not be as successful. In order to maintain our brand awareness, we may also need to invest in new advertising formats, such as online video, with which we have less experience. If we are unable to maintain or enhance consumer awareness of our brand or to generate demand in a cost-effective manner, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

**We are currently taking steps to increase advertiser diversity on our marketplace. If these measures are unsuccessful and we are unable to integrate additional inventory to our platform, or to successfully monetize that inventory, our financial performance could be materially adversely affected.**

We continue to take steps to increase advertiser diversity on our marketplace, including increasing the representation of new advertisers in our marketplace and integrating the vacation rental and private apartment inventory of HomeAway, Inc., or HomeAway, and other advertisers onto our search platform. We aim to integrate additional inventory of alternative accommodation going forward. Increasing the representation of additional advertisers on our platform requires large, skilled, multi-lingual sales teams that will continue to be substantially smaller and less experienced than the advertising teams of many of our competitors. In the case of vacation rentals, we face challenges in integrating alternative accommodations into our platform since those properties have attributes substantially different from hotel rooms, our traditional area of focus. In addition, the online vacation rental market is rapidly evolving, and if we fail to predict the manner in which

that market develops or if large vacation rental providers are able to acquire a larger share of the alternative accommodation market at our expense, our financial performance may be harmed.

If our efforts to integrate additional inventory and diversify our marketplace are unsuccessful or if our competitors can provide more attractive advertising terms to potential advertisers, we may be unable to provide as broad a set of search results and as detailed pricing information to our users as our competitors are able to provide, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Increasing competition and consolidation in our industry could result in a decrease in the amount and types of hotel and other accommodation information we display, the value of our services to users and a loss of users, which would adversely affect our business, results of operations, financial condition and prospects.**

We operate in an increasingly competitive travel industry. Many of our current and potential competitors, including hotels themselves (both hotel chains and independent hotels), and metasearch engines, such as Kayak, TripAdvisor and Google Hotel Ads, locally focused metasearch engines, such as Qunar, OTAs, such as Booking.com, Ctrip and Brand Expedia, alternative accommodation websites, such as Airbnb and HomeAway, and other hotel websites, have been in existence longer, may have larger user bases, may have a wider ranges of products and services and may have greater brand recognition and customer loyalty in certain markets and/or significantly greater financial, marketing, personnel, technical and other resources than we do. Some of these competitors may be able to offer products and services on more favorable terms than we can. Metasearch websites, particularly Google Hotel Ads, are also expanding globally, are becoming increasingly competitive and are, in some cases, adopting strategies and developing technologies and websites that are very similar to ours. Competition could result in higher traffic acquisition costs, lower CPC levels and reduced margins on our advertising services, loss of market share, reduced user traffic to our websites and reduced advertising by hotel companies and other accommodation advertisers on our websites. If fewer advertisers choose to advertise on our website, we will have less information available to display, which makes our services less valuable to users.

In addition, many of these competitors may be able to devote significantly greater resources to marketing and promotional campaigns; attracting and retaining key employees; securing participation of hotels and access to hotel information, including proprietary or exclusive content; website and systems development; research and development; and enhancing the speed at which their services return user search results. Our competitors may also be able to adjust their marketing spend more quickly or allocate it more efficiently than we can or improve their product more quickly and effectively, especially since they have more complete information about their users than we do about ours. Many of these competitors may also offer user incentives, such as loyalty points or priority access to services, which may not be available if users book through third-party sites or services. Some of our competitors continue to conduct advertising campaigns expressly designed to drive consumer traffic directly to their websites. Furthermore, certain alternative accommodation and OTA websites have added other travel services, such as tours, activities, hotel and flight bookings, any of which could further extend their reach into the travel market.

As a result, competition and consolidation, individually or in the aggregate, could result in higher traffic acquisition costs, reduced operating margins, loss of market share, reduced user traffic to our websites and reduced advertising by OTAs and hotels on our websites, which could have an adverse impact on our CPCs. This, in turn, may have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, competition and consolidation among our advertisers may cause some of them to have financial difficulties, default on or materially delay their obligations to pay us for services we have already provided or become insolvent. As a result, we may not be able to compete successfully against current and future competitors, and competition and/or consolidation among advertisers may have a material adverse effect on our business, results of operations, financial condition and prospects.



**We have chosen to focus exclusively on providing search services for hotels and other types of accommodation. If users expect to be able to book other services when they book accommodation, they may choose to utilize the websites of our competitors rather than ours, which would negatively impact our financial condition and results of operations.**

We are focused exclusively on helping users find their ideal hotel room, with an increasing focus on other types of accommodation. Because we believe this focus will help us develop a platform that displays hotels that match individual users' ideal hotel characteristics, we have decided that our search engine should not cover services that are outside our core area of focus. As a result, users cannot use our platform to book air travel, rental cars, tours, cruises and other services with our advertisers, while they can book or otherwise obtain information about at least some of these services on the websites of nearly all of our major competitors. If we are unable to provide users with information they deem useful, or our competitors are able to provide more attractive offers for accommodation coupled with attractive offers for other services, or our users demand to see more comprehensive offers akin to those of our competitors, we may not realize the anticipated benefits of this strategy, which could negatively impact our competitiveness, financial condition and results of operations.

**If we do not continue to innovate and provide tools and services that are useful to users and advertisers, we may not remain competitive, and our revenue and results of operations could suffer.**

Our success depends on continued innovation to provide features and services that make our websites and apps useful for users. Our ability to attract users to our services depends in large part on providing a comprehensive set of search results and a broad range of offers across price ranges. To do so, we maintain relationships with OTAs, hotel chains and independent hotels to include their data in our search results. Although we maintain a very large searchable database of hotels from around the world, we do not have relationships with some significant potential advertisers, including some major hotel chains, many independent hotels, smaller chains and certain large providers of alternative accommodations. In addition, consolidation among advertisers, or a change to more coordinated or centralized marketing activities within OTA groups and hotel chains, could reduce the number of offers we have available in our marketplace for each hotel. The loss of existing relationships with advertisers, our inability to continue to add new ones, including providers of alternative accommodations or the decision by one or more advertisers to deactivate part or all of their inventories in one or more geographical regions, may reduce the comprehensiveness of our search results, which could reduce user confidence in the search results we provide, making us less popular and could, because there are fewer offers made on our marketplace, enable advertisers to bid less for offers.

In addition, our competitors are constantly developing innovations in online hotel-related services and features. As a result, we must continue to invest significant resources in research and development in order to continuously improve the speed, accuracy and comprehensiveness of our services. We have invested, and in the future may invest, in new business strategies and services. These strategies and services may not succeed, and, even if successful, our revenue may not increase. In addition, we may fail to adopt and adapt to new technology, especially as Internet search, including through Google and Amazon, potentially moves from a text to voice interface over the coming years. If we are unable to continue offering innovative services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

**One of our product features depends, in part, on our relationship with third parties to provide us with consumer reviews.**

Certain third parties provide us with consumer reviews that we provide to our users along with our proprietary rating score. If these third-party data providers terminate their relationships with us, the information that we provide to users may be limited or the quality of the information may suffer, which may negatively affect our users' perception of the value of our product and our reputation.

**The measures we are implementing that are designed to maximize the lifetime value of our users may not generate the long-term financial benefits that we anticipate.**

We continue to implement measures that are designed to focus less on the click-based revenue generated by our users in each session and more on the booking value that our users generate for our advertisers over multiple sessions (or over the "lifetime" of the user). These measures include, on the one hand, changes to how we make decisions about allocating Advertising Spend to our performance marketing campaigns by tracking how likely a user that comes to us from a channel is to book a hotel with an advertiser (which we refer to our "attribution model"). On the other hand, these measures involve enhancements to our site that encourage users to spend more time exploring and interacting with our site and its features before being referred to one of our advertisers.

Although we aim for these measures to have a long-term positive effect on our profitability and revenue by focusing on traffic quality instead of volume, they may not produce the long-term financial benefits that we expect. We rely on assumptions, estimates and test data to determine whether these changes to our product and Advertising Spend are effective, particularly in terms of booking conversion. In particular, we assume that our advertisers will ultimately be willing to pay more for referrals that are more likely, in our view, to lead to a completed booking. However, this assumes that our definition of value matches that of our advertisers, who may instead perceive value in referrals that do not result in an immediate hotel booking but have the potential to deliver repeat users of their websites in the future. If our advertisers do not perceive added value for them from enhancements we make, they may be unwilling to pay us more after we have introduced these enhancements, in which case our user growth, business and our results of operations could be negatively impacted.

In addition, while we expect these initiatives may lead to short to medium-term reductions in our revenue and profitability, the extent of these effects is difficult to predict, and the initiatives could cause revenue to grow more slowly than we anticipate or lead to revenue declines, and could lead to losses. They may also lead to increased volatility in our quarterly results.

**We rely on assumptions, estimates and data to make decisions about our business, and any inaccuracies in, or misinterpretation of, such information could negatively impact our business.**

We take a data-driven, testing-based approach to managing our business, where we use our proprietary tools and processes to measure and optimize end-to-end performance of our platform. Our ability to analyze and rapidly respond to the internal data we track enables us to improve our platform and make decisions about allocating marketing spend and ultimately convert any improvements into increased revenue. While the internal data we use to judge the effectiveness of changes to our platform and to make improvements to our attribution model are based on what we believe to be reasonable assumptions and estimates, our internal tools are not independently verified by a third party and have a number of limitations. We only have access to limited information about user behavior compared to many of our competitors that in many cases can record detailed information about users who log onto their websites or who complete a booking or other transaction with them. Although we aim to increase how often our users log in to our site, our efforts in this respect are only in their early stages.

In addition, our ability to track user behavior is also subject to considerable limitations, for example, relating to our ability to use cookies and browser extensions to analyze behavior over time, and to difficulties pertaining to users who use multiple devices to conduct their search for accommodation. In particular, users can block or delete cookies through their browsers or "ad-blocking" software or apps. The most common Internet browsers allow users to modify their browser settings to prevent cookies from being accepted by their browsers, or are set to block third-party cookies by default. At least one major browser has introduced extensive privacy features, including the imposition of a strict time limit on tracking tools' lifespans. Any of these developments may inhibit our ability to use cookies to better understand and track our users' preferences to improve our platform, to optimize our marketing campaigns and our advertisers' campaigns and to detect and prevent fraudulent activities. In addition, we are to a significant extent dependent upon certain advertisers for specific types of user information, including, for example, as to whether a user ultimately completed a booking. Furthermore, our or our advertisers' methodologies for tracking this information may change over time.

If the internal tools we use to judge the effectiveness of changes to our platform produce or are based on information that is incomplete or inaccurate, or we do not have access to important information, or if we are not sufficiently rigorous in our analysis of that information, or if such information is the result of algorithm or other technical or methodological errors, the decisions we make relating to our website, marketplace and allocation of marketing spend may not result in the positive effects in terms of profitability, revenue and user experience that we expect, which may negatively impact our business, results of operations, financial condition and prospects.

**We rely on search engines, which may change their business models or search engine algorithms in ways that could have a negative impact on our business, financial performance and prospects.**

We use Bing, Google, Naver, Yahoo! and other Internet search engines to generate traffic to our websites, principally through the purchase of hotel-related keywords. We obtain a significant amount of traffic via search engines and therefore utilize techniques such as search engine optimization and search engine marketing to improve our placement in relevant search queries. Google and other search engines frequently update and change the logic that determines the placement and display of results of a user's search. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking, paid or unpaid, of our websites or that of our third-party distribution partners, or if competitive dynamics impact the costs or effectiveness of search engine optimization, search engine marketing or other traffic generating arrangements in a negative manner, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

To the extent that Google or other leading search or metasearch engines that have a significant presence in our key markets, disintermediate OTAs or travel content providers, whether by offering their own comprehensive travel planning or shopping capabilities, or by referring leads to suppliers, other favored partners or themselves directly, there could be a material adverse impact on our business and financial performance. In particular, Google appears to continue to direct an increasing amount of traffic to its own hotel search platform (which it refers to as "Hotel Ads") at the expense of traditional keyword auctions. We purchase hotel-related keywords on Google to obtain a significant amount of traffic. The introduction of Hotel Ads may have a negative impact on the attractiveness of our brand in these auctions. In addition, we have introduced Hotel Ads as a marketing channel in some markets. Our placement in Hotel Ads' results is dependent on factors used by its algorithm to rank and display our offers, resulting in dynamics significantly different from search engine marketing in the form that we are currently familiar with. This may present a challenge since we may have significantly less flexibility to direct traffic to our website using that platform compared to traditional hotel-related keyword advertising. In addition, our major advertisers might not be amenable in some cases to our using their inventory to compete with them on Hotel Ads, which may present a further difficulty if Google continues to direct traffic in this manner.

In addition, a significant amount of traffic is directed to our websites through our participation in DEA campaigns on search engines, advertising networks, affiliate websites and social networking sites. Pricing and operating dynamics for these traffic sources can experience rapid change, both technically and competitively. Any of these providers could also, for competitive or other purposes, alter their search algorithms or results, causing our websites to place lower in search results, which may reduce our user traffic and may have a material adverse effect on our business, results of operations, financial condition and prospects.

**A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business, financial performance, results of operations or business growth.**

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our businesses, including those relating to hotels, the Internet and online commerce, Internet advertising, presentation of online offers, consumer protection, anti-corruption, anti-trust and competition, economic and trade sanctions, tax, banking, data security and privacy. Regulatory authorities or courts could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us (including imposing financial penalties and restricting our conduct going forward) if our practices were found not to comply with applicable legal, regulatory or licensing requirements or any binding interpretation of such requirements. Changes we might be required to make to our practices as a result of regulatory or judicial action, could decrease demand for our services, limit marketing methods and capabilities available to us, affect our margins and increase our costs.

Regulators continue to increase their focus on the consumer facing business practices of companies active in the Internet search sector, in particular with respect to the providers of online travel search and booking services. A number of regulators in various countries have been investigating marketing and selling practices in the sector generally as well as of individual companies. For example, the U.K. Competition & Markets Authority, or CMA, announced the launch of a consumer law investigation into online hotel booking sites in the United Kingdom in October 2017. On July 26, 2018, the CMA informed us of its decision to open an investigation into certain of our display practices in the United Kingdom that the CMA questioned under U.K. consumer law. On January 31, 2019, we submitted voluntary undertakings to the CMA to make changes to certain disclosure and other display practices in the United Kingdom. The undertakings provide for an implementation period of six months and resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding that our practices violated U.K. law. In addition, on December 12, 2018, the German Federal Cartel Office (*Bundeskartellamt*) published its draft report for consultation relating to its sector inquiry focused on the consumer facing practices of online price comparison websites active in the travel, insurance, financial services, telecommunications and energy sectors in Germany, covering topics such as rankings, financing, corporate links, reviews, availability and relevant market coverage. The German Federal Cartel Office has invited comments on its draft report and is now considering these comments with the finalization of the report expected to occur soon. While the German Federal Cartel Office's draft report acknowledged the importance to consumers of comparison platforms, it also identified certain areas in which the disclosure and display practices of market participants generally could be improved. Should changes in our business practices or those prevalent in our sector brought about by this regulatory attention or by the Australian litigation referenced below reduce the attractiveness, competitiveness or functionality of our platform and the services we offer, or should our reputation or that of our sector suffer, or should we have to pay substantial amounts in respect or as a result of any such regulatory action or proceeding, our business, results of operations, financial condition and prospects could be adversely affected.

In addition, many governmental authorities in the markets in which we operate are also considering additional and potentially diverging legislative and regulatory proposals that would increase the level and complexity of regulation on Internet display, disclosure and advertising activities. For example, in the European Union there is an ongoing revision of EU consumer directives ("A New Deal for Consumers"), and the European Union is considering a proposal for a regulation of the European Parliament and of the Council for business users of online intermediary services (the P2B Regulation). There also are, and will likely continue to be, an increasing number of laws and regulations pertaining to the Internet and online commerce that may relate to liability for information retrieved from, transmitted over or displayed on the Internet, display of certain taxes, charges and fees, online editorial, user-generated or other third-party content, user or other third-party privacy, data security, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of services. Furthermore, the growth and development of online commerce may prompt calls for additional or more complex consumer protection laws and higher levels of regulatory review and enforcement activities, which may impose additional burdens, costs or limitations on online businesses generally.

Also, following the U.K. Brexit vote, it may be the case that regulations and policies in the United Kingdom may diverge from those of the European Union, following the United Kingdom's withdrawal from the European Union, possibly giving rise to greater regulatory complexity and additional compliance costs.

The promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we provide our services could require us to change certain aspects of our business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenue, increase costs or subject the company to additional liabilities.

**Increasing enforcement of international trade and anti-corruption regulations could affect our ability to remain in compliance with such regulations and could have a materially adverse effect on our business, results of operations, financial condition and prospects.**

The SEC, U.S. Department of Justice and U.S. Office of Foreign Assets Control, or OFAC, as well as other foreign regulatory authorities, have continued to increase the enforcement of economic and trade regulations and anti-corruption laws, across industries. U.S. trade sanctions restrict transactions involving designated foreign countries and territories, including the Crimea region of Ukraine, Cuba, Iran, North Korea and Syria, as well as certain specifically targeted individuals and entities. We believe that our activities comply with applicable OFAC trade regulations and anti-corruption regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. As regulations are amended and the interpretation of those regulations evolves, we cannot guarantee that our programs and policies will be deemed compliant by all applicable regulatory authorities. In the event that our controls should fail or are found to be not in compliance for other reasons, including as a result of changes to our products and services or the behavior of our advertisers, we could be subject to monetary damages, civil and criminal penalties, litigation and damage to our reputation and the value of our brand.

**Litigation could distract management, increase our expenses or subject us to material monetary damages and other remedies.**

On August 23, 2018, the Australian Competition and Consumer Commission, or ACCC, instituted proceedings in the Australian Federal Court against us, alleging breaches of Australian consumer law relating to our advertisements in Australia concerning the hotel prices available on our Australian site and our Australian strike-through pricing practice. An outcome adverse to us in this matter could have a material adverse effect on our business, results of operations, financial condition and prospects.

We could also become involved from time to time in various other legal proceedings, including, but not limited to, actions relating to breach of contract, consumer protection matters and intellectual property infringement that might necessitate changes to our business or operations. Regardless of whether the litigation described above or any other claims against us have merit, or whether we are ultimately held liable or subject to payment of damages, claims may be expensive to defend and may divert management's time away from our operations. Outcomes adverse to us in any legal proceedings could have a material adverse effect on our business, results of operations, financial condition and prospects. Any adverse publicity resulting from actual or potential litigation may also materially and adversely affect our reputation and brand, which in turn could adversely affect our business, results of operations, financial condition and prospects.

Companies in the Internet, technology and media industries are frequently subject to allegations of infringement or other violations of intellectual property rights. We are currently subject to several claims and may be subject to future claims relating to intellectual property rights. As we operate a global business, we may be subject to intellectual property claims by third parties. We intend to vigorously defend our intellectual property rights and our freedom to operate our business; however, regardless of the merits of the claims, intellectual property claims are often time-consuming and extremely expensive to litigate or settle and are likely to continue to divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability or prevent us from operating our business or portions of our business. Resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or we may be required to cease using intellectual property of third parties altogether. Many of our agreements with hotels, OTAs and

other partners require us to indemnify these entities against third-party intellectual property infringement claims, which would increase our defense costs and may require that we pay damages if there were an adverse ruling in any such claims. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

**We process, store and use personal data which exposes us to risks of internal and external security breaches and could give rise to liabilities, including as a result of governmental regulation and differing legal obligations applicable to data protection and privacy rights.**

We may acquire personally identifiable information or confidential information from users of our websites and apps. Breaches or intrusions to our system, whether resulting from internal or external sources, could significantly harm our business. It is possible that advances in computer circumvention capabilities, new discoveries or other developments, including our own acts or omissions, could result in a compromise or breach of personally identifiable information and/or confidential user information.

We cannot guarantee that our existing security measures will prevent all security breaches, intrusions or attacks. A party, whether internal or external, that is able to circumvent our security systems could improperly obtain user information or proprietary information or cause significant disruptions to our operations. In the past, we have experienced “denial-of-service” type of attacks on our system, which have made portions of our website unavailable for periods of time. We may need to expend significant resources to protect against security breaches, intrusions, attacks or other threats or to address problems caused by breaches. Any actions that impact the availability of our website or apps could cause a loss of substantial business volume during the occurrence of any such incident and could result in reputational harm and impact negatively our ability to attract new customers and/or retain existing ones. The risk of security breaches, intrusions and other attacks is likely to increase as the tools and techniques used in these types of attacks become more advanced. The new European data protection laws (described in detail below), introduce mandatory breach reporting to regulators and individuals across Europe. Security breaches could result in negative publicity, damage to our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions as well as civil litigation. Security breaches could also cause users and potential users to lose confidence in our security, which would have a negative effect on the value of our brand.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Users generally are increasingly concerned with security and privacy on the Internet, and any publicized security problems impacting other companies could inhibit the growth of our business. Additionally, security breaches at third parties upon which we rely, such as hotels, could result in negative publicity, damage to our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory or criminal penalties and sanctions as well as civil litigation. We currently provide users with the functionality to book directly with certain hotels, by completing a form on our website which enables users’ details to be transferred directly to the hotel’s booking forms. In connection with facilitating these transactions, we receive and store certain personally identifiable information, including credit card information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including throughout the member states of the European Union as a result of the EU’s General Data Protection Regulation 2016/679, or GDPR, which has been in effect since May 25, 2018, and of national GDPR implementation acts on an EU member state level. In particular, EU laws regulate transfers of EU personal data to third countries, such as the United States, that have not been found to provide adequate protection to such personal data. A considerable number of our service providers and hotels operate in such jurisdictions. There are recent regulatory concerns about certain measures that can be used to validate such data export, as well as litigation challenging some of the mechanisms for adequate data transfer (i.e., the standard contractual clauses and the EU-US Privacy Shield). We could be impacted by changes in law as a result of the current challenges to these mechanisms by regulators and in the European courts which may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity which could have an adverse effect on our reputation, business, results of operations, financial condition and prospects.

Government regulation of privacy and data security is typically intended to protect the privacy of personally identifiable information that is collected, processed and transmitted in or from the governing jurisdiction.

Since we collect, process and transmit personally identifiable information in and from numerous jurisdictions around the world, we are subject to privacy, data protection and data security legislation and regulations in a number of countries around the world. We are in particular affected by the GDPR. The GDPR applies to any company established in the European Union as well as to those outside the European Union if they collect and use personal data in connection with offering goods or services to individuals in the European Union or the monitoring of their behavior (for example, trip booking services). The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on services providers. Non-compliance with the GDPR can trigger significant fines of up to €20 million or 4% of total worldwide annual turnover per case of violation, whichever is higher. We may incur substantial further expense in ensuring and maintaining compliance with the new obligations imposed by the GDPR and by national GDPR implementation acts and we may be required to make significant further changes in our business operations and product and services development, all of which may adversely affect our business, results of operations, financial condition and prospects. We may have to undertake substantial effort to comply with new data protection laws in the United Kingdom and new requirements and restrictions for data transfers between the European Union and the United Kingdom in the event that the United Kingdom leaves the European Union. We could be adversely affected if we fail to comply fully with all of these requirements and other laws in jurisdictions where we operate or target users. In addition, we could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that may have a material adverse effect on our business, results of operations, financial condition and prospects.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies, web beacons and similar technology for online advertising, which is fundamental to our business model. The current European laws that cover the use of cookies and similar technology and marketing online or by electronic means are under reform. Unlike the current law, the new proposed e-Privacy Regulation will apply directly in each EU member state, without the need for further enactment at the member state level. When effective, the e-Privacy Regulation is expected to alter rules on third-party cookies, web beacons and similar technology for online behavioral advertising and to impose stricter requirements on companies using these tools. The current draft also extends the strict opt-in marketing rules with limited exceptions to business-to-business communications, and significantly increases penalties. Regulation of cookies and web beacons may lead to broader restrictions on our advertising activities, including efforts to understand users' Internet usage. Such regulations may have a detrimental effect on businesses, such as ours, that collect and use online usage information in order to attract and retain advertisers and may increase the cost of maintaining a business that collects or uses online usage information, increase regulatory scrutiny and increase the potential for civil liability under consumer protection laws.

**In the past, we identified a material weakness in our internal control over financial reporting. If the measures we have implemented, including internal controls, fail to be effective in the future, any such failure could result in material misstatements of our financial statements, cause investors to lose confidence in our reported financial and other public information, harm our business and adversely impact the trading price of our ADSs.**

Our management is responsible for establishing and maintaining internal controls over financial reporting, disclosure controls, and compliance with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC thereunder. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. Satisfying these requirements requires us to dedicate a significant amount of time and resources, including for the development, implementation, evaluation and testing of our internal controls over financial reporting. Although no material weaknesses were identified in connection with the attestation of the effectiveness of our internal control over financial reporting as of December 31, 2018, our management cannot guarantee that our internal controls and disclosure controls will prevent all possible

errors or fraud. In addition, the internal controls that we have implemented could fail to be effective in the future. This failure could result in material misstatements in our financial statements, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions. This could in turn could harm our business and the market value of our ADSs. In addition, we may be required to incur costs in improving our internal controls system and the hiring of additional personnel.

**We may experience difficulties in implementing new business and financial systems.**

We continue to transition certain business and financial systems to systems that reflect the size, scope and complexity of our operations. These systems include an internally developed tool to manage our invoicing and various third-party developed tools to assist us with internal system integration, financial management and consolidation. The process of migrating our legacy systems could disrupt our ability to timely and accurately process and report key aspects of our financial statements as we will rely on these systems for information that is included in or otherwise relevant for our financial statements. In addition, while the implementation of these systems is intended to increase accuracy of financial reporting and reduce our reliance on manual procedures and actions, the transition may affect the accuracy of reporting as we align our new systems to our internal processes. With respect to these systems, certain financial controls and processes will be required and may result in changes to the current control environment. These changes will need to be assessed for effective implementation and effectiveness in mitigating inherent risk in these processes. This evaluation could result in deficiencies in our internal control over financial reporting, including material weaknesses, in future periods. Any difficulties in implementing the new software or related failures of our internal control over financial reporting could adversely affect our business, results of operations, financial condition and prospects, and could cause harm to our reputation.

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

We depend on the use of sophisticated information technologies and systems, including technology and systems used for websites and apps, customer service, supplier connectivity, communications, fraud detection and administration. As our operations grow in size, scope and complexity, we need to continuously improve and upgrade our systems and infrastructure to offer an increasing number of user-enhanced services, features and functionalities, while maintaining or improving the reliability and integrity of our systems and infrastructure. In 2018, we substantially revamped our back-end infrastructure, which subsequently went fully live in early 2019. If these changes result in our infrastructure being unreliable or if they do not result in the benefits we anticipate, our business, results of operations, financial condition and prospects could be adversely affected.

Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our service in response to competitive service offerings. The emergence of alternative platforms and the emergence of niche competitors who may be able to optimize services or strategies such platforms have required, and will continue to require, new and costly investments in technology. We may not be successful, or we may be less successful than our current or new competitors, in developing technologies that operate effectively across multiple devices and platforms and that are appealing to users, either of which would negatively impact our business and financial performance. New developments in other areas could also make it easier for competitors to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Failure to invest in and adapt to technological developments and industry trends may have a material adverse effect on our business, results of operations, financial condition and prospects.



**Any significant disruption in service on our websites and apps or in our computer systems, some of which are currently hosted by third-party providers, could damage our reputation and result in a loss of users, which would harm our business and results of operations.**

Our brand, reputation and ability to attract and retain users to use our websites and apps depend upon the reliable performance of our network infrastructure and content delivery processes. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down the performance of our websites and apps, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our services on our websites and apps and prevent or inhibit the ability of users to access our services. Problems with the reliability or security of our systems could harm our reputation. Damage to our reputation and the cost of remedying these problems could negatively affect our business, financial condition and results of operations.

Substantially all of the communications, network and computer hardware used to operate our website are located at facilities in Germany, the United States, Hong Kong and China, while also leveraging cloud-hosted services. We either lease or own our servers and have service agreements with data center providers. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. Our systems are not completely redundant, so a failure of our system at one site could result in reduced functionality for our users, and a total failure of our systems could cause our websites or apps to be inaccessible to our users. Problems faced by our third-party service providers with the telecommunications network providers with which they contract or with the systems by which they allocate capacity among their users, including us, could adversely affect the experience of our users. Our third-party service providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy or reorganization, faced by our third-party service providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party service providers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business, results of operations, financial condition and prospects. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Our brand is subject to reputational risks and impairment.**

We have developed our trivago brand through extensive marketing campaigns, website promotions, customer referrals and the use of a dedicated sales force. We cannot guarantee that our brand will not be damaged by circumstances that are outside our control or by third parties, such as hackers, or interfaces with their clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our activities. For example, the independent actors we rely on in various countries where we advertise have come to represent our brand, such as "Mr. trivago" in the United States and "the trivago girl" in Australia. The actions of such actors are not in our control, and negative publicity about such actors could affect our brand image. Also, it is possible that the use of testimonials in the advertising and promotion of our brands could have a negative impact on customer retention and acquisition if the reputation of the testimonial provider is damaged. We may be subject to negative press accounts or other negative publicity regarding our product, brand or business practices, which may, among other things, cause us reputational harm. Such negative publicity may become more prevalent as a result of announced or future regulatory investigations or litigation relating to practices in our marketplace and related online travel-related market segments, such as that commenced by the ACCC in August 2018. Social media's reach may magnify any negative publicity and messages can "go viral" necessitating effective crisis response in real time. A failure on our part to protect our image, reputation and the brand under which we market our products and services may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Many events beyond our control may adversely affect the travel industry.**

Many events beyond our control can adversely affect the travel industry, with a corresponding negative impact on our business and results of operations. Natural disasters, including hurricanes, tsunamis, earthquakes or volcanic eruptions, as well as other natural phenomena, such as outbreaks of the Zika virus, the Ebola virus, avian flu and other pandemics and epidemics, have disrupted normal travel patterns and levels in the past. The travel industry is also sensitive to events that may discourage travel, such as work stoppages or labor unrest, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents and terrorist attacks or threats. We do not have insurance coverage against loss or business interruption resulting from war and terrorism, and we may be unable to fully recover any losses we sustain due to other factors beyond our control under our existing insurance coverage. The occurrence of any of the foregoing events may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Our global operations involve additional risks, and our exposure to these risks will increase as our business continues to expand.**

We operate in a number of jurisdictions and intend to continue to expand our global presence, including in emerging markets. As of December 31, 2018, we derived 35% of our total Referral Revenue from our operations in the Americas, 42% of our revenue from our operations in Developed Europe and 23% of our revenue from our operations in the Rest of World. See “*Item 5 Operating and financial review and prospects*” for a further description of our geographical operating segments. We face complex, dynamic and varied risk landscapes in the jurisdictions in which we operate. We must tailor our services and business models to the unique circumstances of each of the many countries and markets in which we operate. This can be complex, difficult, costly and divert management and personnel resources. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with global operations in general. Laws and business practices that favor local competitors or prohibit or limit foreign ownership of certain businesses or our failure to adapt our practices, systems, processes and business models effectively to the user and supplier preferences in each country in which we operate, could slow our growth. Certain markets in which we operate are characterized by lower margins in our business and related businesses than is the case in more mature markets, which could have a negative impact on our overall margins as our revenue from these markets grows over time.

In addition to the risks outlined elsewhere in this section, our global operations are subject to a number of other risks, including:

- changing political conditions, including risk of rising protectionism, restrictions on immigration or imposition of new trade barriers, including the added uncertainty resulting from the United Kingdom's withdrawal from the European Union;
- local political or labor conditions, including being individually targeted by local regulators or being adversely affected by national labor strikes;
- compliance with various regulatory laws and requirements relating to anti-corruption, antitrust or competition, economic sanctions, data content and privacy, consumer protection, employment and labor laws, health and safety, and advertising and promotions;
- differences, inconsistent interpretations and changes in various laws and regulations, including international, national and local tax laws;
- weaker or uncertain enforcement of our contractual and intellectual property rights;
- preferences by local populations for local providers;
- slower adoption of the Internet as an advertising, broadcast and commerce medium and the lack of appropriate infrastructure to support widespread Internet usage in those markets;
- our ability to support new technologies that may be more prevalent in certain local markets; and

- uncertainty regarding liability for services and content, including uncertainty as a result of local laws and lack of precedent.

**Our global operations expose us to risks associated with currency fluctuations, which may adversely affect our business.**

We conduct a significant portion of our business outside the Eurozone. As a result, we face exposure to movements in currency exchange rates around the world. Changes in foreign exchange rates can amplify or mute changes in the underlying trends in our revenue and Revenue per Qualified Referral. Although we largely denominate our CPCs in euro and have relatively little direct foreign currency translation with respect to our revenue, we believe that our advertisers' decisions on the share of their booking revenue they are willing to pay to us are based on the currency in which the hotels being booked are priced. Accordingly, we have observed that advertisers tend to adjust their CPC bidding based on the relative strengthening or weakening of the euro as compared to the local functional currency in which the booking with our advertisers is denominated. Currency exchange-related exposures also include but are not limited to re-measurement gains and losses from changes in the value of foreign denominated monetary assets and liabilities; translation gains and losses on foreign subsidiary financial results that are translated into euro upon consolidation; fluctuations in hotel revenue and planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur.

We do not currently hedge our foreign exchange exposure. Depending on the size of the exposures and the relative movements of exchange rates, if we choose not to hedge or fail to hedge effectively our exposure, we could experience a material adverse effect on our financial statements and financial condition. As we have seen in some recent periods, in the event of severe volatility in foreign exchange rates, these exposures can increase, and the impact on our results of operations can be more pronounced. In addition, the current environment and the global nature of our business have made hedging these exposures more complex.

**We are subject to risks associated with a corporate culture that promotes entrepreneurialism among our employees, decentralized decision making and continuous learning.**

We have delegated considerable operational autonomy and responsibility to our employees, including allowing our employees flexible working hours that allow them to determine when, where and for how long they work. In addition, at the core of our culture is allowing our employees to grow, ensuring that they continuously accept new challenges and take on new responsibilities. This is reflected by our approach to the career development of our employees. We encourage our employees to move into and out of internally defined leadership roles, and we rotate experienced employees to other jobs and different leadership roles within the company.

As a consequence, people in key positions may have less experience in the relevant operational areas. As our employees have significant autonomy and may lack experience when performing new operational roles, this could result in poor decision-making, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**We rely on the performance of highly skilled personnel, including senior management and our technology professionals, and if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.**

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management and our highly skilled team members, including our software engineers. The loss of the services of any key individual could negatively affect our business. In particular, the contributions of certain key senior management are important to our overall success.

The small size of our leadership team increases our exposure to the risk that we would lose the services of one or more of the remaining members of the team. Should one or more of our senior managers leave our company, we might experience dislocations while a replacement or replacements are located and they are integrated into our company. Any phase of transition to new senior managers may be accompanied by slower or inconsistent decision-making, or to the diversion of management attention to matters relating to executive

recruitment and integration. This could have a material adverse effect on our business, results of operations, financial condition and prospects or could damage our reputation.

The Amended and Restated Shareholders' Agreement contains certain provisions that could result in the departure of certain of our senior management, including Mr. Schrömgens. If our Founders collectively, hold less than 15% of our outstanding Class A shares and Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), Mr. Schrömgens loses certain contractual rights to nominate members of our management board. In such case, our supervisory board may also request from the Founders, the resignation of members of the supervisory board who have been nominated by the Founders. In addition, the general meeting of shareholders, which is controlled by Expedia Lodging Partner Services S.à r.l., or ELPS, has broad discretion to remove members of our management board with and without cause, irrespective of the Founders' holdings. If the general meeting of shareholders has reasonable cause, as defined in the Amended and Restated Shareholders' Agreement, for such removal, ELPS has the unilateral right, subject to certain exceptions, to purchase all of such member's shares.

Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Competition for highly qualified employees in all aspects of our business, including software engineers and other technology professionals who are key to designing code and algorithms necessary to our business, is intense globally. We may be unable to retain certain high-performing employees when the price of our ADS is low, as a significant portion of the compensation they receive consists of equity grants. If we do not succeed in attracting highly qualified employees or retaining and motivating existing employees and key senior management, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

**The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business.**

As a public company with ADSs traded on an exchange located in the United States, we incur legal, accounting, audit and other expenses resulting from the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act, the listing requirements of Nasdaq, the Dutch Corporate Governance Code 2016, or the DCGC, and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our business, financial condition and results of operations. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Furthermore, establishing the corporate infrastructure demanded of a public company may divert our management's attention from implementing our strategy, which could prevent us from improving our business, financial condition and results of operations. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company these rules and regulations have made it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. These additional obligations could have a material adverse effect on our business, financial condition, results of operations and cash flow.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of our management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory

or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business, results of operations, financial condition and prospects could be adversely affected.

**We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.**

We are a “foreign private issuer,” as such term is defined in Rule 405 under the Securities Act, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2019.

In the future, we would lose our foreign private issuer status if a majority of our shareholders, directors or management continue to be U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus and equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose considerably less compensation-related information. We would also have to comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. We could also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. In addition, we could lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers. We would need to convert our systems to prepare our financial statements in U.S. dollars. Such conversion and modifications will involve additional costs and may divert our management’s attention from other business concerns, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Integration of acquired assets and businesses could result in operating difficulties and other harmful consequences.**

We have acquired businesses in the past, including tripl GmbH, or tripl and GHG Ventures LLC, or TripHappy. We expect to continue to evaluate a wide array of potential strategic transactions. We could enter into transactions that could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. The areas where we face risks in respect of potential acquisitions and subsequent integrations include:

- diversion of management time and focus from operating our business to acquisition diligence, negotiation and closing processes, as well as post-closing integration challenges;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- retention of employees from the businesses we acquire;
- responsibility for liabilities or obligations associated with activities of the acquired company before the acquisition;
- litigation or other claims in connection with the acquired company; and

- in the case of foreign acquisitions, the need to integrate operations across different geographies, cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Furthermore, companies that we have acquired, and that we may acquire in the future, may employ security and networking standards at levels we find unsatisfactory. The process of enhancing infrastructure to improve security and network standards may be time-consuming and expensive and may require resources and expertise that are difficult to obtain. Acquisitions could also increase the number of potential vulnerabilities and could cause delays in detection of a security breach, or the timelines of recovery from a breach. Failure to adequately protect against attacks or intrusions could expose us to security breaches of, among other things, personal user data and credit card information that may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could delay or eliminate any anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and may have a material adverse effect on our business, results of operations, financial condition and prospects.

**We are subject to counterparty default risks.**

We are subject to the risk that a counterparty to one or more of our customer arrangements will default on its performance obligations. A counterparty may fail to comply with its commercial commitments, which could then lead it to default on its obligations with little or no notice to us. This could limit our ability to take action to mitigate our exposure. Additionally, our ability to mitigate our exposures may be constrained by the terms of our commercial arrangements or because market conditions prevent us from taking effective action. In addition, our ability to recover any funds from financially distressed or insolvent counterparties is limited, and our recovery rates in such instances have historically been very low. Because a majority of our accounts receivable are owed by three large OTAs, delays or a failure to pay by any of these advertisers could result in a significant increase in our credit losses, and we may be unable to fund our operations. In addition, as we seek to diversify our advertiser base to include additional advertisers, including alternative accommodation providers, beyond our core OTA base, we may increase our exposure to our counterparties that may fail to pay us. These counterparties may also be located in countries where enforcement of our creditors' rights is more difficult than in the countries where our major OTA advertisers are located. If one of our counterparties becomes insolvent or files for bankruptcy, our ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceedings, and in any event, the customers of that counterparty may seek redress from us, even though the booking with that counterparty was not conducted on our platform. In the event of such default, we could incur significant losses, which could adversely impact our business, results of operations, financial condition and prospects.

***Risks related to our ongoing relationship with our shareholders***

**Expedia Group controls our company and has the ability to control the direction of our business.**

As of December 31, 2018, Expedia Group owned Class B shares representing 59.5% of our issued share capital and 66.8% of the voting power in us. As long as Expedia Group owns a majority of the voting power in us, and pursuant to certain rights it has under the Amended and Restated Shareholders' Agreement, Expedia Group will be able to control many corporate actions that require a shareholder vote.

This voting control limits the ability of other shareholders to influence corporate matters and, as a result, we may take actions that shareholders other than Expedia Group do not view as beneficial. This voting control may also discourage transactions involving a change of control of our company, including transactions in which you as a holder of ADSs (representing our Class A shares) might otherwise receive a premium for your shares. Furthermore, Expedia Group generally has the right at any time to sell or otherwise dispose of any Class A shares and Class B shares that it owns, including the ability to transfer a controlling interest in us to a third party, without the approval of the holders of our Class A shares and without providing for the purchase of Class A shares.

**The Founders have contractual rights to exert control over certain aspects of our business.**

Pursuant to the Amended and Restated Shareholder's Agreement, the Founders have contractual rights to exert control over certain aspects of our business. For example, as long as the Founders collectively maintain holdings of at least 15% of our outstanding Class A shares and Class B shares (taking into account, for purposes of determining such percentage, each security convertible into or exchangeable for, and any option, warrant, or other right to purchase or otherwise acquire, any share), the Founders will have certain rights to veto decisions about certain corporate matters. These contractual rights limit the ability of ELPS to control certain corporate matters and, as a result, we may fail to take actions that other shareholders may view as beneficial. This contractual control may also discourage transactions involving a change of control or sale of substantially all assets of our company, including transactions in which you as a holder of ADSs representing our Class A shares might otherwise receive a premium for your shares or dividend of proceeds representing a premium price for such assets. Furthermore, subject to certain exceptions, so long as the Founders collectively maintain holdings of at least 15% of our outstanding Class A and Class B shares (taking into account, for purposes of determining such percentage, each security convertible into or exchangeable for, and any option, warrant, or other right to purchase or otherwise acquire, any share), the Founders who are then serving as managing directors have the ability to select the other managing directors and, as a result, the Founders and their appointees will comprise the body that has primary day-to-day operational control of the company. In addition, from the date that Mr. Schrömgens ceases to serve as our chief executive officer for a period of three years, so long as a Founder is serving as our chief executive officer and there is no set of circumstances that would constitute a reasonable cause, such Founder has the right to nominate a successor in its function of chief executive officer, subject to the approval of ELPS and thereafter, the supervisory board.

**Expedia Group's interests may conflict with our interests, the interests of the Founders and the interests of our shareholders, and conflicts of interest among Expedia Group, the Founders and us could be resolved in a manner unfavorable to us and our shareholders.**

Various conflicts of interest among us, the Founders and Expedia Group could arise. Ownership interests of directors or officers of Expedia Group in our shares, and ownership interests of members of our management board and supervisory board in the stock of Expedia Group, or a person's service as either a director or officer of both companies, could create or appear to create potential conflicts of interest, including when those directors and officers are faced with decisions relating to our company. In each of the years ended December 31, 2016, 2017 and 2018, Expedia Group, and brands affiliated with Expedia Group, consistently accounted for 36% of our revenues.

Potential conflicts of interest could also arise if we decide to enter into any new commercial arrangements with Expedia Group's businesses in the future or in connection with Expedia Group's desire to enter into new commercial arrangements with third parties.

Expedia Group has the right to separately pursue acquisitions of businesses that we may also be interested in acquiring and also has the right to acquire companies that may directly compete with us. Expedia Group may choose to pursue these corporate opportunities other than through trivago.

Furthermore, disputes may arise between Expedia Group and us relating to our past and ongoing relationships, and these potential conflicts of interest may make it more difficult for us to favorably resolve such disputes, including those related to:

- tax, employee benefit, indemnification and other matters;
- the nature, quality and pricing of services Expedia Group agrees to provide to us;
- sales, other disposals, purchases or other acquisitions by Expedia Group of shares in us (including when our share price is lower than in comparable periods); and
- business combinations involving us.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party. While we are controlled by Expedia Group, we may

not have the leverage to negotiate amendments to these agreements, if required, on terms as favorable to us as those we would negotiate with an unaffiliated third party.

***Risks related to our intellectual property***

**We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.**

We regard our intellectual property as critical to our success, and we rely on trademark and confidentiality and license agreements to protect our proprietary rights. If we are not successful in protecting our intellectual property, it could have a material adverse effect on our business, results of operations, financial condition and prospects.

Effective trademark and service mark protection may not be available in every country in which our services are provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions, we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use, which could adversely affect our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. Moreover, we utilize intellectual property and technology developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms. Also, to the extent that third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

We have registered domain names for websites that we use in our business, such as [www.trivago.com](http://www.trivago.com), [www.trivago.de](http://www.trivago.de) and [www.trivago.co.uk](http://www.trivago.co.uk). Our competitors could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere, and in some countries the top-level domain name “trivago” is owned by other parties. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of, our brand or our trademarks or service marks. Protecting and enforcing our rights to our domain names and determining the rights of others may require litigation, which, whether or not successful, could result in substantial costs and diversion of management attention.

**Claims by third parties that we infringe on their intellectual property rights could result in significant costs and have a material adverse effect on business, results of operations, financial condition and prospects.**

From time to time, we could be subject to various patent and trademark infringement claims. These claims could allege, among other things, that our website technology infringes upon owned patented technology and/or trademarks of third parties. If we are not successful in defending ourselves against these claims, we may be required to pay monetary damages, which could have an adverse effect on our results of operations. In addition, the costs associated with the defense of these claims could have an adverse effect on our results of operations. As we grow our business and expand our operations, we expect that we will continue to be subject to intellectual property claims. Resolving intellectual property claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or we may be required to cease using intellectual property of third parties altogether. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.**

A substantial amount of our processes and technologies is protected by trade secrecy laws. In order to protect these technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently



discover our trade secrets and proprietary information, and in such cases we could not assert any trade secrecy rights against such parties. To the extent that our employees, contractors or other third parties with which we do business may use intellectual property owned by others in their work for us without our authorization, disputes may arise as to the rights in related or resulting know-how and inventions. Laws regarding trade secrecy rights in certain markets in which we operate may afford little or no protection to our trade secrets. The loss of trade secret protection could make it easier for third parties to compete with our services by effectively replicating our services. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Our use of “open source” software could adversely affect our ability to offer our services and subject us to possible litigation.**

We use open source software in connection with our development. From time to time, companies that use open source software have faced claims challenging the use of open source software or compliance with open source license terms. We could be subject to suits by third parties claiming ownership of what we believe to be open source software, or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor the use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract may have a material adverse effect on our business, results of operations, financial condition and prospects and could help our competitors develop services that are similar to or better than ours.

***Risks related to ownership of our Class A shares and ADSs***

**Our share price may be volatile or may decline regardless of our operating performance.**

The market price for our ADSs has been, and will likely continue to, be volatile, and there have been relatively few ADSs outstanding. Our results of operations are also subject to material quarterly fluctuations that may affect the volatility of our ADSs. In addition, the market price of our ADSs may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of market analysts or from the financial guidance that we have communicated;
- announcements by us or our competitors of significant business developments, acquisitions or expansion plans;
- changes in the prices of our competitors or those paid to us by our customers;
- our involvement in litigation;
- our sale of ADSs or other securities in the future;
- a sale of ADSs by our major shareholders in the future;
- market conditions in our industry;
- changes in key personnel;
- the trading volume of our ADSs;
- changes in the estimation of the future size and growth rate of our markets; and

- general economic and market conditions.

The stock markets, including Nasdaq, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many Internet companies.

**Future sales and/or issues of our ADSs, or the perception in the public markets that such sales may occur, may depress our ADS price.**

Sales of a substantial number of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the price of our ADSs and could impair our ability to raise capital through the sale of additional ADSs. The ADSs are freely tradable without restriction under the Securities Act, except for any of our ADSs that may be held or acquired by our management board members, supervisory board members, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

Our Class B shares are convertible into Class A shares, which may be sold subject to certain restrictions in the Amended and Restated Shareholders' Agreement.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of ADSs issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding ADSs. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

**If securities or industry analysts publish inaccurate or unfavorable research about our business, our ADS price could decline.**

The trading market for our ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If securities or industry analyst coverage results in downgrades of our ADSs or publishes inaccurate or unfavorable research about our business, our ADS price would likely decline.

**You may not be able to exercise your right to vote the Class A shares underlying your ADSs.**

Holders of ADSs may exercise voting rights with respect to the Class A shares represented by their ADSs only in accordance with the provisions of the deposit agreement. The deposit agreement provides that, upon receipt of notice of any meeting of holders of our Class A shares, including any general meeting of our shareholders, the depository will, as soon as practicable thereafter, fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights. Upon timely receipt of notice from us, the depository shall distribute to the holders as of the record date (i) the notice of the meeting or solicitation of consent or proxy sent by us, (ii) a statement that such holder will be entitled to give the depository instructions and a statement that such holder may be deemed, if the depository has appointed a proxy bank as set forth in the deposit agreement, to have instructed the depository to give a proxy to the proxy bank to vote the Class A shares underlying the ADSs in accordance with the recommendations of the proxy bank and (iii) a statement as to the manner in which instructions may be given by the holders.

You may instruct the depository of your ADSs to vote the Class A shares underlying your ADSs. Otherwise, you will not be able to exercise your right to vote unless you withdraw our Class A shares underlying the ADSs you hold. However, you may not know about the meeting far enough in advance to withdraw those Class A shares. The depository, upon timely notice from us, will notify you of the upcoming vote and arrange to deliver voting materials to you. We cannot guarantee that you will receive the voting materials in time to ensure that you can instruct the depository to vote the Class A shares underlying your ADSs. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote, and there may be nothing you can do if the Class A shares underlying your ADSs are not voted as you had requested.

Under the deposit agreement for the ADSs, we may choose to appoint a proxy bank. In this event, the depository will be deemed to have been instructed to give a proxy to the proxy bank to vote the Class A

shares underlying your ADSs at shareholders' meetings if you do not vote in a timely fashion and in the manner specified by the depositary.

The effect of this proxy is that you cannot prevent the Class A shares representing your ADSs from being voted, and it may make it more difficult for shareholders to exercise influence over our company, which could adversely affect your interests. Holders of our Class A shares are not subject to this proxy.

**You may not receive distributions on the Class A shares represented by our ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.**

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our Class A shares after deducting its fees and expenses. You will receive these distributions in proportion to the number of our Class A shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. We have no obligation to take any other action to permit the distribution to any holders of our ADSs or Class A shares. This means that you may not receive the distributions we make on our Class A shares or any value from them if it is illegal or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

**You may be subject to limitations on the transfer of your ADSs.**

Your ADSs, which may be evidenced by American Depositary Receipts, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of your ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason.

**We do not expect to pay any dividends for the foreseeable future.**

The continued operation and growth of our business will require substantial cash. Accordingly, we do not anticipate that we will pay any dividends on our ADSs for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our management board and will depend upon our results of operations, financial condition, contractual restrictions relating to indebtedness we may incur, restrictions imposed by applicable law and other factors our management board deems relevant.

***Risks related to our corporate structure***

**The rights of shareholders in companies subject to Dutch corporate law differ in material respects from the rights of shareholders of corporations incorporated in the United States.**

We are a Dutch public company with limited liability (*naamloze vennootschap*). Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of our management board and supervisory board may be different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. In the performance of their duties, our management board and supervisory board are required by Dutch law to consider the interests of our company, its shareholders, its employees and other stakeholders. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a holder of ADSs representing our Class A shares. See “*Item 16 G. Corporate governance.*”

**We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code (DCGC). This may affect your rights as a shareholder.**

We are a Dutch public company with limited liability (*naamloze vennootschap*) and are subject to the DCGC. The DCGC contains both principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including Nasdaq.

The DCGC is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their annual reports, filed in the Netherlands whether they comply with the provisions of the DCGC. If they do not comply with those provisions (e.g., because of a conflicting U.S. requirement), the company is required to give the reasons for such non-compliance. We do not comply with all the best practice provisions of the DCGC.

See “*Item 16 G. Corporate governance.*” This may affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC.

**Our dual-class share structure with different voting rights, and certain provisions in the Amended and Restated Shareholders’ Agreement, limit your ability as a holder of Class A shares to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A shares may view as beneficial.**

We have a dual-class share structure such that our share capital consists of Class A shares and Class B shares. In respect of matters requiring the votes of shareholders, based on our dual-class share structure, holders of Class A shares are entitled to one vote per share, while holders of Class B shares are entitled to ten votes per share. Each Class B share is convertible into one Class A share at any time by the holder thereof, while Class A shares are not convertible into Class B shares under any circumstances. Each of our ADSs represents one Class A share.

As of December 31, 2018, Expedia Group owned Class B shares representing 59.5% of our share capital and 66.8% of the voting power in us, and the Founders owned Class B shares representing 28.4% of our share capital and 31.9% of the voting power in us due to the disparate voting powers associated with our dual-class share structure. See “*Item 7 A. Major shareholders.*” As a result of the dual-class share structure and the concentration of ownership, as well as the terms of the Amended and Restated Shareholders’ Agreement, Expedia Group (through ELPS) and the Founders have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, appointment and dismissal of management board members and supervisory board members and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving the holders of ADSs (representing Class A shares) of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our Class A shares. This concentrated control limits your ability to influence corporate matters that holders of Class A shares may view as beneficial.

**German and European insolvency laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than they would have under U.S. insolvency laws.**

As a company with its registered office in Germany, we are subject to German insolvency laws in the event any insolvency proceedings are initiated against us including, among other things, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings). Should courts in another EU jurisdiction determine that the insolvency laws of that EU jurisdiction apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency laws in Germany or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency laws and make it more difficult for them to recover the amount they could expect to recover in a liquidation under U.S. insolvency laws.

**Dutch law and our articles of association may contain provisions that may discourage a takeover attempt.**

Dutch law and provisions of our articles of association may in the future impose various procedural and other requirements that would make it more difficult for shareholders to effect certain corporate actions and would make it more difficult for a third party to acquire control of us or to effect a change in the composition of our management board and supervisory board. For example, such provisions include a dual-class share structure that gives greater voting power to the Class B shares owned by Expedia Group and our Founders, the binding nomination structure for the appointment of our management board members and supervisory board

members, and the provision in our articles of association which provides that certain shareholder decisions can only be passed if proposed by our management board.

**U.S. investors may have difficulty enforcing civil liabilities against us or members of our management board and supervisory board.**

We are incorporated in the Netherlands. Most members of our management board and supervisory board are non-residents of the United States. The majority of our assets and the assets of these persons are located outside the United States. As a result, it may not be possible, or may be very difficult, to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

There is no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is relitigated before a Dutch court of competent jurisdiction. Under current practice, however, a Dutch court will generally, subject to compliance with certain procedural requirements, grant the same judgment without a review of the merits of the underlying claim if such judgment (i) is a final judgment and has been rendered by a court which has established its jurisdiction vis-à-vis the relevant Dutch Companies or Dutch Company, as the case may be, on the basis of internationally accepted grounds of jurisdiction, (ii) has not been rendered in violation of elementary principles of fair trial, (iii) is not contrary to the public policy of the Netherlands, and (iv) is not incompatible with (a) a prior judgment of a Dutch court rendered in a dispute between the same parties, or (b) a prior judgment of a foreign court rendered in a dispute between the same parties, concerning the same subject matter and based on the same cause of action, provided that such prior judgment is capable of being recognized in the Netherlands. Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Code of Civil Procedure.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws, against us or members of our management board and supervisory board, officers or certain experts named herein who are residents of the Netherlands or countries other than the United States. In addition, there is doubt as to whether a Dutch court would impose civil liability on us, the members of our management board and supervisory board, our officers or certain experts named herein in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

**We rely on the foreign private issuer and controlled company exemptions from certain corporate governance requirements under Nasdaq rules.**

As a foreign private issuer whose ADSs are listed on Nasdaq, we are permitted to follow certain home country corporate governance practices pursuant to exemptions under Nasdaq rules. A foreign private issuer must disclose in its annual reports filed with the SEC each requirement under Nasdaq rules with which it does not comply, followed by a description of its applicable home country practice. Our Dutch home country practices may afford less protection to holders of our ADSs. We follow in certain cases our home country practices and rely on certain exemptions provided by Nasdaq rules to foreign private issuers, including, among others, an exemption from the requirement to hold an annual meeting of shareholders no later than one year after an issuer's fiscal year end, exemptions from the requirement that a board of directors be comprised of a majority of independent directors, exemptions from the requirements that an issuer's compensation committee should be comprised solely of independent directors, and exemptions from the requirement that share incentive plans be approved by shareholders. See "*Item 16 G. Corporate governance.*" for more information on the significant differences between our corporate governance practices and those followed by U.S. companies under Nasdaq rules. As a result of our reliance on the corporate governance exemptions

available to foreign private issuers, you will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements.

In addition to the exemptions we rely on as a foreign private issuer, we also rely on the "controlled company" exemption under Nasdaq corporate governance rules. A "controlled company" under Nasdaq corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group or another company. Our principal shareholder, Expedia Group, controls a majority of the combined voting power of our outstanding shares, making us a "controlled company" within the meaning of Nasdaq corporate governance rules. As a controlled company, we have elected not to comply with certain corporate governance standards, including the requirement that a majority of our supervisory board members are independent and the requirement that our compensation committee consist entirely of independent directors.

### ***Risks related to taxation***

#### **We may become taxable in a jurisdiction other than Germany, and this may increase the aggregate tax burden on us.**

Since our incorporation, we intend to have, on a continuous basis, our place of effective management in Germany. Therefore, we believe that we are a tax resident of Germany under German national tax laws. By reason of our incorporation under Dutch law, we are also deemed tax resident in the Netherlands under Dutch national tax laws. However, based on our current management structure and current tax laws of the United States, Germany and the Netherlands, as well as applicable income tax treaties, and current interpretations thereof, we believe that we are tax resident solely in Germany for the purposes of the 2012 convention between the Federal Republic of Germany and the Netherlands for the avoidance of double taxation with respect to taxes on income.

The tax laws, tax treaties or interpretations thereof applicable to us may change. Furthermore, whether we have our place of effective management in Germany and are as such wholly tax resident in Germany is largely a question of fact and degree based on all circumstances, rather than a question of law, which facts and degree may also change. Changes to applicable tax laws, tax treaties or interpretations thereof and changes to applicable facts and circumstances (e.g., a change of board members or the place where board meetings take place), may result in us becoming a tax resident of a jurisdiction other than Germany, potentially also triggering an exit tax liability in Germany. As a consequence, our overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on our business, results of operations, financial condition and prospects, which could cause our ADS price and trading volume to decline.

#### **Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.**

The application of various national and international income and non-income tax laws, rules and regulations to our historical and new services is subject to interpretation by the applicable taxing authorities. These taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenue. This has contributed to an increase in audit activity and harsher stances taken by tax authorities. As such, additional taxes or other assessments may be in excess of our current tax reserves or may require us to modify our business practices to reduce our exposure to additional taxes going forward, any of which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Significant degrees of judgment and estimation are required in determining our worldwide tax liabilities. In the ordinary course of our business, there are transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing for which the ultimate tax determination is uncertain or otherwise subject to interpretation. Tax authorities may disagree with our intercompany charges, including the amount of or basis for such charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals in which case we may be subject to additional tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Amendments to existing tax laws, rules or regulations or enactment of new unfavorable tax laws, rules or regulations could have an adverse effect on our business and financial performance.**

Many of the underlying laws, rules or regulations imposing taxes and other obligations were established before the growth of the Internet and e-commerce. If the tax or other laws, rules or regulations were amended, or if new unfavorable laws, rules or regulations were enacted, the results could increase our tax payments or other obligations, prospectively or retrospectively, subject us to interest and penalties, decrease the demand for our services if we pass on such costs to the user, result in increased costs to update or expand our technical or administrative infrastructure or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, in the past, Germany and foreign governments have introduced proposals for tax legislation, or have adopted tax laws, that could have a significant adverse effect on our tax rate, or increase our tax liabilities, the carrying value of deferred tax assets, or our deferred tax liabilities. For example, in October 2015, the Organization for Economic Co-Operation and Development (OECD) released a final package of measures to be implemented by member nations in response to a 2013 action plan calling for a coordinated multi-jurisdictional approach to “base erosion and profit shifting” (BEPS) by multinational companies. Multiple member jurisdictions, including the countries in which we operate, have begun implementing recommended changes, such as proposed country-by-country reporting beginning as early as 2016. By February 2019, 87 member jurisdictions, including Germany, have signed the “Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting” (MLI), which allows member jurisdictions to amend existing bilateral double taxation treaties according to results from the OECD BEPS project. Out of these 87 jurisdictions, 20 have also ratified the MLI. As of February 2019, Germany has, however, not ratified the MLI and, as a result, the MLI has not entered into force in Germany. About 35 of Germany's double taxation treaties with other member jurisdictions will be affected after Germany's ratification and the ratification of the respective treaty state. Another measure based upon the OECD's BEPS initiative is the adoption of the so-called Anti-Tax Avoidance Directive I and II of the European Union. Under these directives, EU member states are to adopt certain anti-abuse measures by January 2019 while certain other anti-abuse measures are to be adopted in subsequent years. In addition, there have also been developments at the national level in several countries as well as initiatives at the level of the OECD and the European Union that aim to target the digital economy through taxes on revenue from digital services or through taxes on income attributed to countries where the respective multinationals have a digital presence, which could result, depending on how such initiatives are ultimately implemented in the source jurisdiction and on how Germany may change its rules as a reaction, in double taxation on certain income.

Any changes to national or international tax laws could impact the tax treatment of our revenues or earnings and adversely affect our profitability. We continue to work with relevant authorities and legislators to clarify our obligations under existing, new and emerging tax laws and regulations.

Our effective tax rate in the future could also be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or the discontinuation of beneficial tax arrangements in certain jurisdictions.

**We may be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequences to U.S. Holders of the ADSs.**

Based on the market price of our ADSs and the composition of our income, assets and operations, we do not expect to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. However, the application of the PFIC rules to us is subject to certain ambiguity. In addition, this is a factual determination that must be made annually after the close of each taxable year. Therefore, there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. We would be classified as a PFIC for any taxable year if, after the application of certain look-through rules, either: (1) 75% or more of our gross income for such year is “passive income” (as defined in the relevant provisions of the Internal Revenue Code of 1986, as amended), or (2) 50% or more of the value of our assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. Certain adverse U.S. federal income

tax consequences could apply to a U.S. Holder (as defined in “*Item 10 E. Taxation—Material U.S. federal income tax considerations*”) if we are treated as a PFIC for any taxable year during which such U.S. Holder holds ADSs.

**Certain of our ADS holders may be unable to claim tax credits to reduce German withholding tax applicable to the payment of dividends.**

We do not anticipate paying dividends on our ADSs for the foreseeable future. As a Dutch-incorporated but German tax resident company, however, if we pay dividends, such dividends will be subject to German (and potentially Dutch) withholding tax. Currently, the applicable German withholding tax rate is 26.375% of the gross dividend. This German tax can be reduced to the applicable double tax treaty rate, which is generally 15%, however, by an application filed by the tax payer containing a specific German tax certificate with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). If a tax certificate cannot be delivered to the ADS holder due to applicable settlement mechanics or lack of information regarding the ADS holder, holders of the shares or ADSs of a German tax resident company may be unable to benefit from any available double tax treaty relief and may be unable to file for a credit of such withholding tax in its jurisdiction of residence. Further, the payment made to the ADS holder equal to the net dividend may, under the tax law applicable to the ADS holder, qualify as taxable income that is in turn subject to withholding, which could mean that a dividend is effectively taxed twice. Our ADSs have been issued by a depository with a direct link to the U.S. Depository Trust Company, or DTC, which should reduce the risk that the applicable German withholding tax certificate cannot be delivered to the ADS holder. However, there can be no guarantee that the information delivery requirement can be satisfied in all cases, which could result in adverse tax consequences for affected ADS holders.

Investors should note that the interpretation circular (*Besteuerung von American Depositary Receipts (ADR) auf inländische Aktien*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated May 24, 2013 (reference number IV C 1-S2204/12/10003), or ADR Tax Circular, is not binding for German courts and it is not clear whether or not a German tax court will follow the ADR Tax Circular in determining the German tax treatment of our specific ADSs. Further concerns regarding the applicability of the ADR Tax Circular may arise due to the fact that the ADR Tax Circular refers only to German stock and not to shares in a Dutch N.V. If the ADSs are determined not to fall within the scope of application of the ADR Tax Circular, and thus profit distributions made with respect to the ADSs are not treated as a dividend for German tax purposes, the ADS holder would not be entitled to a refund of any taxes withheld on the dividends under German tax law. See “*Item 10 E. Taxation—German taxation—German taxation of ADS holders*”).

**If we pay dividends, we may need to withhold tax on such dividends payable to holders of our ADSs in both Germany and the Netherlands.**

As an entity incorporated under Dutch law, but with its place of effective management in Germany (and not in the Netherlands), our dividends are generally subject to German dividend withholding tax and not Dutch withholding tax. However, Dutch dividend withholding tax is required to be withheld from dividends if and when paid to Dutch resident holders of our ADSs (and non-Dutch resident holders of our ADSs that have a permanent establishment in the Netherlands to which their shareholding is attributable). As a result, we will be required to identify our shareholders and/or ADS holders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment to which the shares are attributable) in respect of which Dutch dividend tax has to be withheld. Such identification may not always be possible in practice. If the identity of our shareholders and/or ADS holders cannot be assessed upon a payment of dividend, withholding of both German and Dutch dividend tax from such dividend may occur.



## Item 4: Information on the company

### A. History and development of the company

trivago was conceived by graduate school friends Rolf Schrömgens, Peter Vinnemeier and Stephan Stubner, who initially operated trivago out of a garage in Düsseldorf, Germany. trivago GmbH was incorporated in 2005, and its business eventually developed into a leading global hotel and accommodation search platform. Mr. Stubner left the company in 2006 and another graduate school friend, Malte Siewert, joined the founding team.

Between 2006 and 2008, several investors invested €1.4 million in trivago. In 2010, Insight Venture Partners acquired 27.3% of the equity ownership of trivago for €42.5 million. Expedia Group acquired 63.0% of the equity ownership in trivago in 2013, purchasing all outstanding equity from non-Founders and some outstanding equity from the Founders and subscribing for a certain number of newly issued shares for a total of €477 million. Expedia Group subsequently increased its shareholdings slightly in the second and fourth quarter of 2016 through the purchase of shares held by certain employees who had previously exercised stock options.

We were incorporated on November 7, 2016 as travel B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law. On December 16, 2016, we completed our IPO on the Nasdaq Stock Exchange. In connection with our IPO, we converted into a public company with limited liability (*naamloze vennootschap*) under Dutch law pursuant to a deed of amendment and conversion and changed our legal name to trivago N.V. On September 7, 2017, we consummated the cross-border merger of trivago GmbH into and with trivago N.V.

We are registered with the Trade Register of the Chamber of Commerce in the Netherlands (*Kamer van Koophandel*) under number 67222927. Our corporate seat is in Amsterdam, the Netherlands, and our registered office is at Kesselstraße 5 - 7, 40221 Düsseldorf, Germany (under number HRB 79986). Our telephone number is +49-211-3876840000.

Our agent in the United States is Cogency Global Inc., and its address is 10 East 40th Street, 10th floor, New York, NY 10016.

### **Principal capital expenditures and divestitures**

Although our growth has primarily been organic, we have made the following small strategic acquisition since January 1, 2016:

- In August 2017, we acquired all material assets of tripl, a German online platform for personal travel recommendations, for a total purchase consideration of €0.7 million, consisting of cash and trivago N.V. shares. We acquired tripl to enhance our product with personalization technology that uses big data and a customer-centric approach. tripl's algorithm gives users tailored travel recommendations by identifying trends in users' social media activities and comparing it with in-app data of like-minded users. The alternative intelligence-driven product is designed to imitate the way a travel agent would recommend hotel experiences relevant to the customer, and combines it with the ease of online services.

This acquisition was conducted with no external financing.

### **Public takeover offers**

Since January 1, 2018, there have been no public takeover offers by third parties with respect to our shares, and we have not made any public takeover offers in respect of any other company's shares.

### **Segment reporting**

Beginning in the second quarter of 2016, management identified three reportable segments, which correspond to our three operating segments: the Americas, Developed Europe and the Rest of World. The change from one to three reportable segments was the result of a management reorganization to more effectively manage the business. This reorganization was performed to align the management of the business to our focus on unique market opportunities and competitive dynamics inherent within each of the operating segments. Our Americas segment is comprised of Argentina, Brazil, Canada, Chile, Columbia, Ecuador, Mexico, Peru, the United States and Uruguay. Our Developed Europe segment is comprised of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Our Rest of World segment is comprised of all other countries, the most significant by revenue of which are Australia, Japan, India, New Zealand, Russia and Turkey. Segment revenue is comprised entirely of Referral Revenue. Other revenue is included in Corporate and eliminations, along with all corporate functions and expenses except for direct advertising.

We determined our operating segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric is return on advertising spend, or ROAS, for each of our segments, which compares Referral Revenue to Advertising Spend.

For additional information relating to the development of our company, see "*Item 4 B. Business overview.*"

## **B. Business overview**

### **Overview**

trivago is a global hotel and accommodation search platform. We are focused on reshaping the way travelers search for and compare different types of accommodations, such as hotels, vacation rentals and private apartments, while enabling our advertisers to grow their businesses by providing them with access to a broad audience of travelers via our websites and apps. Our platform allows travelers to make informed decisions by personalizing their search for accommodation and providing them with access to a deep supply of relevant information and prices. In the year ended December 31, 2018, we had 668.3 million Qualified Referrals and, as of that date, offered access to more than 3.0 million hotels and other types of accommodation, including 1.5 million units of alternative accommodation such as vacation rentals and private apartments, in over 190 countries. See "*Item 5. Operating and financial review and prospects*" for a further description of Qualified Referrals.

We have positioned our brand as a key part of the process for travelers in finding their "ideal hotel," vacation rental or private apartment. Our fast and intuitive search platform enables travelers to find their ideal hotel or other accommodation by matching individual traveler preferences with detailed accommodation characteristics, such as price, location, availability, amenities and ratings, across a vast global supply.

We believe that the number of travelers accessing our websites and apps makes us an important and scalable marketing channel for our advertisers, which include OTAs, hotel chains, independent hotels and providers of alternative accommodation. Additionally, our ability to refine user intent through our search function allows us to provide advertisers with transaction-ready referrals. We generate revenues primarily on a "cost-per-click," or CPC, basis, whereby an advertiser is charged when a user clicks on an advertised rate for a hotel or other accommodation and is referred to that advertiser's website where the user can complete the booking. The CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Our CPC bidding function enables our advertisers to influence their own return on investment and the volume of referral traffic we generate for them. Recognizing that advertisers on our marketplace have varying objectives and varying levels of marketing resources and

experience, we provide a range of services to enable advertisers to improve their performance on our marketplace.

Our hotel and accommodation search platform can be accessed globally via 55 localized websites and apps available in 33 languages. Users can search our platform on desktop and mobile devices, and benefit from a familiar user interface, resulting in a consistent user experience. In the year ended December 31, 2018, our revenue share from mobile websites and apps continued to exceed 60%.

Our revenue has grown significantly since our incorporation in 2005. In the years ended December 31, 2016, 2017 and 2018, we generated revenue of €754.2 million, €1,035.4 million and €914.8 million respectively. During the same periods, we had net losses of €(51.4) million, €(13.0) million and €(21.5) million, respectively. In the years ended December 31, 2016, 2017 and 2018, our adjusted EBITDA was €28.2 million, €6.7 million and €14.6 million, respectively. See "Item 5 A. Operating review—Results of operations—Revenue" for Referral Revenue by segment, representing a breakdown according to principal geographic markets. See "Item 3 A. Selected financial data" for an additional description of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss.

### **trivago's search platform**

We believe that we are reshaping hotel discovery for our users, while changing the way hotel advertisers identify, engage with and acquire travelers. Our search platform forms the core of our user experience, and can be accessed globally via 55 localized websites and apps available in 33 languages. As we provide a search website, users do not book directly on our platform. When they click on an offer for a hotel room or other accommodation at a certain price, they are referred to our advertisers' websites where they can complete their booking. We maintain one of the largest searchable databases of hotels in the world. As of December 31, 2018, our database included more than 3.0 million hotels and other types of accommodation, gathered through OTAs, hotel chains, independent hotels and providers of alternative accommodations.

Our users initially search via a text-based search function, which supports searches across a broad range of criteria. This leads through to a listings page that displays search results and allows for further refinement based on more nuanced filters. Our platform organizes a large amount of information from multiple sources and gives each user what we believe to be the optimal basis to make a decision. We help users to convert initial interest into a clear and specific booking intention.

Additionally, we enhance our users' experience by giving them the choice to display their search results in listings or map formats. Users can search our platform on desktop and mobile devices, and benefit from a familiar user interface, resulting in a consistent user experience.

<b>Initial search bar parameters</b>	<b>Subsequent search filters</b>
Location (City, Region, Country, Point of Interest)	Hotel stars (1 star to 5 stars)
	Popularity/Our recommendations
Check-in date	trivago ratings (Below average, Satisfactory, Good, Very Good, Excellent)
Check-out date	Price range
Room type (single, double, family, multiple)	Distance from landmarks
Hotel name	Top amenities options (Pets, Beach, Free WiFi, Breakfast, Pool)
	Hotel name or address

Performing a search shows a user a hotel listing page. This page contains broad, aggregated information, including:

- *Hotel information:* We display information that we believe is relevant to the user, such as the hotel name, pictures, amenities, star rating and distance to selected location;
- *trivago ratings index:* We aggregate millions of ratings globally. We produce a score for each property, which is updated daily to render relevant and valuable insights for our users while saving them time when searching for the ideal hotel or other accommodation. The rating is a single, easy-to-use score out of ten;
- *Reviews:* We provide reviews from third parties in a clear and concise format; and
- *Price comparison:* We prominently display a suggested advertised deal for each hotel or other accommodation, while also listing additional available offers from our advertisers in a list format, including room types, amenities and payment options. To learn more about how we determine the prominence given to offers and their placement in our search results, see "*Marketplace*" below.

Our products are accessible anytime and anywhere, online and on mobile devices. We provide our services through mobile websites and apps. [m.trivago.com](http://m.trivago.com) (or its localized versions) is our mobile-optimized website available on mobile device browsers, and our full-featured native mobile app is available on iPhone, iPad, Android Phone and Android Tablet.

#### *Product changes in 2018*

Below are some of the more significant developments in our search product during 2018:

- We launched a new iOS and Android App with an improved user interface to encourage our users to increase their interaction with our content with the aim of improving our booking performance;
- We made improvements to our filtering through increasing opportunities for refining searches and improving our users' experience by redesigning the filter segment of our search engine; and
- We also made efforts to make it easier for our users to sign up and log in with trivago, with the aim of increasing how often our users log in to our site

In 2018, we substantially revamped our back-end infrastructure, which subsequently went fully live in early 2019. We also continued to implement measures aimed at optimizing our platforms and products, with the intention of increasing user retention and booking conversion, while reducing the number of click-outs required to ultimately generate a booking. These are relatively small, incremental changes to our products that we believe, when considered together, will result in improvements to our product and platforms. These measures include enhancements to our site that encourage users to spend more time exploring and interacting with our site and its features before being referred to one of our advertisers. Since we make these changes by optimizing for traffic quality instead of volume, these changes will tend to have a negative impact on the number of Qualified Referrals, but we believe advertisers have increased their CPC bids in response to improved traffic quality in terms of booking conversion, which has had a positive impact on Revenue per Qualified Referral (RPQR), particularly in the fourth quarter of 2018.

#### *Alternative accommodation*

As of December 31, 2018, we offered access on our search platform to more than 1.5 million units of alternative accommodation, such as vacation rentals and private apartments. We are focused on broadening the value proposition that we offer our users by empowering them to compare across multiple different accommodation types. For more information, see below "*Our Strategy—Broadening our value proposition.*"

## **Marketing**

Through test-driven marketing operations, we have positioned our brand as a key part of the process for travelers in finding their ideal hotel or other accommodation. We organize our marketing teams and spend allocations to focus on building effective messaging to a broad audience across multiple geographies and languages. We believe that building and maintaining our brand and clearly articulating our role in travelers' hotel or other accommodation discovery journey will continue to drive both travelers and advertisers to our platform to connect in a mutually beneficial way.

Our application of data-led improvement and innovation also informs our marketing strategy, which we believe enables us to become increasingly more effective with our marketing spend. We have built tools that capture data and calculate our return on many elements of our brand and performance marketing.

### *Brand marketing*

To grow brand awareness and increase the likelihood that users will visit our websites and use our apps, we invest in brand marketing globally across a broad range of media channels, including TV marketing and online video advertising.

The amount and nature of our Advertising Spend varies across our geographic markets, depending on multiple factors including the emphasis we wish to place on profitability versus traffic growth, cost efficiency, marginal effectiveness of our Advertising Spend, local media dynamics, the size of the market and our existing brand presence in that market.

We also generate hotel content as a means of engaging with travelers, which is distributed online including via social media and our online magazine. Mobile app marketing remains important given the high usage of that device type.

### *Performance marketing*

We market our services and directly acquire traffic to our websites by purchasing travel and hotel-related keywords from general search engines and through advertisements on other online marketing channels. These activities include advertisements through search engines, such as Bing, Google, Naver and Yahoo! (commonly referred to as Search Engine Marketing, or SEM), as well as through display advertising campaigns on advertising networks, affiliate websites and social networking sites (commonly referred to as Display, Email and Affiliate Advertising, or DEA).

### *Allocation of marketing spend*

We take a data-driven, testing-based approach to making decisions about allocating marketing spend, where we use tools, processes and algorithms, many of which are proprietary, to measure and optimize performance end-to-end, starting with the pretesting of the creative concept and ending with the optimization of media spend.

After introducing a new model in 2017 for allocating our marketing spend, which we refer to as our attribution model, we continue to develop the methodologies we use to inform decisions about how much we spend on each marketing channel. We continue to focus on whether a user who comes to us from a given marketing channel proceeds to book a hotel in order to estimate how much revenue originated from a given marketing channel (or how revenue is "attributed" to that channel in our internal metrics). In 2018, we observed improved traffic quality in terms of booking conversion that we believe resulted from the implementation of the attribution model and accordingly saw a positive impact on advertisers' CPC bids and Revenue per Qualified Referral, or RPQR. For more information on Qualified Referrals and RPQR, see "*Item 5 A. Operating results—Key factors affecting our financial condition and results of operations.*"

## **Advertiser relations**

Our advertiser relations team seeks to provide tailored advice to each of our existing and prospective OTAs, providers of alternative accommodation, hotel chains and independent hotel advertisers. We have dedicated sales teams that manage the process of onboarding advertisers, maintain ongoing relationships with advertisers, work with advertisers to help them optimize their outcomes from the trivago platform and provide

guidance on additional tools and features that could further enhance advertisers' experience. We aim to remain in close dialogue with OTAs and sophisticated hotel chains to better understand each advertiser's specific needs and objectives in order to offer optimal solutions through our marketplace.

Relationship building with smaller advertisers, including some independent hotels, differs from those with OTAs and sophisticated hotel chains as they are often less familiar with CPC bidding models and online advertising more broadly. This typically ensures a longer sales cycle where the starting point can be building awareness of the relevance of our marketplace or articulating the opportunities that our platform offers. It often requires onboarding by encouraging the optimization of such advertisers' information and profiles on our site, upselling products to further enhance their profiles, and encouragement to start bidding directly on our marketplace. This often multi-stage process requires our sales team to develop close relationships with each hotel. As of December 31, 2018, over 500,000 hotels engaged through Hotel Manager (described below) directly with our platform (as of December 31, 2017: 400,000), of which approximately 45,000 subscribed to Hotel Manager Pro (as of December 31, 2017: approximately 45,000).

#### *Marketing tools and services for advertisers*

We offer our advertisers a suite of marketing tools to help promote their listings on our platform and drive traffic to their websites. The following tools and services provide tailored solutions for OTAs, hotel chains and independent hotels to help them manage their presence on our marketplace and steer their investments according to their budget and traffic needs. Our tools include:

trivago Hotel Manager, a marketing platform that gives each hotelier control over its hotel profile.

- *trivago Hotel Manager "Basic,"* a free administration tool specifically for hotels, helping them build and manage a unique hotel profile on trivago to enhance their presence. This includes the ability to manage visual and static content, including adjusting contact details, pictures, amenities and service listings, as well as refining descriptions. Using the Hotel Manager tool, each hotel can ensure that our marketplace accurately captures its offerings, helping attract guests.
- *trivago Hotel Manager "Pro,"* which is sold on a one-year subscription basis and allows hotels to enhance their profile with more advanced features and functionalities. With Hotel Manager Pro, hotels can increase promotion with exclusive news about their hotel and prominent contact details, helping them stand out and drive more bookings. Furthermore, we provide hoteliers with additional analytics about who searches for their hotels as well as benchmarking against their competition.
- *trivago Hotel Manager "Rate Connect,"* which enables independent hotels to publish their website rates directly on their profiles, helping them to increase direct bookings and their prominence on our marketplace. Hotels set a monthly budget, and we create an optimized marketing campaign, automatically calculating CPC bids that are competitive with other advertisers and targeted to increase referrals. A dedicated team of marketing experts is available via email or phone to support hotels.

trivago Intelligence, a marketing platform for multi-property management that enables hotel chains and OTAs to manage their inventory and CPCs.

- *trivago Intelligence* provides holistic control for our advertisers that wish to closely manage and analyze their advertising on our marketplace. It allows them to bid on individual hotels with a high degree of granularity and control, provides metrics and feedback on specific advertising campaigns and offers advice to optimize bidding strategies and drive additional referrals.
- *Automated Bidding* allows OTAs, hotel chains and independent hotels to bid efficiently on listings. Advertisers are able to decide the traffic volumes or return on advertising investment they wish to reach and the tool will automatically set and adjust bids according to the target. We believe this is an especially valuable tool for advertisers that are less familiar with online bidding models, although it is our belief that larger, more experienced advertisers will also value the efficiency Automated Bidding provides.

- *Express Booking* helps our advertisers drive bookings by providing the option of an easy booking method within our marketplace. Although the booking information is completed on our site, the advertiser processes payments directly, confirms the booking and provides any booking support. We also prominently feature the brand of the advertiser taking the booking, allowing our advertisers to continue to build their own brand within our marketplace.

*Direct Connect for Chains*, which enables hotel chains to publish rates from their website directly on their inventory using their existing central reservation system and Internet booking engine. This helps them increase direct bookings and their prominence on our marketplace. Hotel chains that run direct connect campaigns also are provided access to Automated Bidding and Express Booking tools.

### **Marketplace**

We design our algorithm to showcase the hotel room and other accommodation rate offers that we believe will be of most interest to our users, emphasizing those offers that are more likely to be clicked and ultimately booked on our advertisers' websites. We prominently display a suggested deal for each hotel, which is determined based on our algorithm as described below, while also listing additional offers made available to us from our advertisers in a list format.

We consider the completion of hotel and other accommodation bookings, which we refer to as conversion, to be a key indicator of user satisfaction on our website. At the core of our ability to match our users' searches with large numbers of hotel and other accommodation offers is our auction platform, which we call our marketplace. With our marketplace, we provide advertisers a competitive forum to access user traffic by facilitating a vast quantity of auctions on any particular day. Advertisers do this by submitting hotel room and other accommodation rates on our marketplace and CPC bids for each user click on an advertised rate for a hotel or other accommodation. By clicking on a given rate, an individual user is referred to that advertiser's website where the user can complete the booking. Advertisers can submit and adjust CPC bids on our marketplace frequently - as often as daily - on a property-by-property and market-by-market basis, and provide us with information on hotel room and other accommodation rates and availability on a near-real time basis.

In determining the prominence given to offers and their placement in our search results, including in comparison search results for a given location and on detail pages for a given property, our proprietary algorithm considers a number of factors in a dynamic, self-learning process. These include (but are not limited to) the advertiser's offered rate for the hotel room or other accommodation, the likelihood the offer will match the user's accommodation search criteria, data we have collected on likely booking conversion and user experience (as reflected in our relevance assessment) and the CPC bids submitted by our advertisers.

The CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Advertisers can analyze the number of referrals obtained from their advertisements on our marketplace and the consequent value generated from a referral based on the booking value they receive from users referred from our site to determine the amount they are willing to bid. Generally, the higher the potential booking value generated by a Qualified Referral and the more competitive the bidding, the more an advertiser is willing to bid for an advertisement on our marketplace. This means that the levels of advertisers' CPC bids reflect their view of the likelihood that each click on an offer will result in a booking by a user. We exclude from our marketplace auction offers where the CPC has been set to a *de minimis* level, as this typically denotes room inventory that the advertiser has for some period of time withdrawn from its active inventory on trivago.

Our relevance assessment focuses on the quality of users' experience after clicking out to an advertiser from our website. The relevance assessment approximates the relative ease or difficulty for users of completing a booking on our advertisers' websites and advantages that advertisers might derive from non-standard website designs, and then results in an upward or downward adjustment to those advertisers' CPC bids in our marketplace's auction process based on that evaluation, which in turn can affect the prominence given to the offers in our search results (with offers more likely to lead to a booking given greater prominence). In 2018, we began to implement a rate accuracy score, which is based on a check of the accuracy of hotel

and accommodation rates delivered to us compared to those displayed on our advertisers platforms, and also operates as an upward or downward adjustment of advertisers' CPCs.

By managing their CPC bids, relevance assessments and hotel room and other accommodation rates submitted on our marketplace, our advertisers can influence their own returns on investment and the volumes of referral traffic we generate for them. We believe that by providing tools and services, such as our Automated Bidding tool, we can increase competition and create a more level playing field for our advertisers. By doing this, we aim to mitigate competitive disadvantages for smaller advertisers on our marketplace and to deliver more choice for our users.

### ***Our market opportunity***

As the process for discovering, evaluating, and booking accommodations increasingly moves online, travelers and advertisers face distinct challenges.

#### *Challenges for travelers*

With the continuing digitalization of the accommodation industry, there is an ever-increasing quantum of information available online about hotels and other types of accommodations including amenities, style, reviews, location and pictures. Additionally, details on pricing and availability are continually updated in or near real-time. This information has empowered travelers, providing a level of insight that was previously unavailable. However, this information is often delivered via multiple fragmented sources, including OTAs, hotel chains, independent hotels, and providers of alternative accommodations. Internet search engines and other review sites. Also, many websites, including those that aggregate disparate information, are often slow, confusing to navigate, and may not display the most relevant accommodation information for travelers. Furthermore, many local OTAs and smaller hotels only display information in their local language, which creates an additional layer of complexity for travelers looking to find accommodations in a foreign destination. These developments can make booking a hotel a frustrating experience for travelers.

#### *Challenges for our advertisers*

Hotel and other accommodation advertisers operate in a competitive market with a broad range of participants, each having specific needs. OTAs need to drive high volumes of traffic to their websites to generate revenues, while hotel chains, independent hotels and alternative accommodation providers who operate high fixed cost models focus on ensuring their inventory is filled. These market participants aspire to reach a targeted audience of travelers with their marketing.

Traditional offline advertising media, including TV, radio, print and outdoor, focus on reaching a broad audience and can be an expensive media for reaching the few travelers seeking hotels in a specific location on specific dates.

There are challenges with online advertising as well. Many advertisers spend an increasing amount of their marketing budgets on online advertising where it is possible to economically reach a very broad audience through a website. However, the fragmentation of travelers online makes it difficult for advertisers to scale up their spend effectively in an efficient manner. Furthermore, OTAs, smaller hotel chains and hotels may not have the resources to develop sophisticated websites and as a result, provide a limited user experience in terms of attractiveness, comprehensiveness of information and ease of booking. Such websites often only publish information in local languages, limiting their reach to a local market.

### ***Benefits for our users***

#### *Global aggregation of real-time accommodation supply*

We aggregate availability of multiple types of accommodations, such as hotels, vacation rentals and private apartments, from a broad range of advertisers globally. This supply is continually updated, so users can view current availability from a broad range of advertisers. We believe travelers use our search platform as their entry point for research on where to stay, confident that they receive comprehensive coverage of their options to book a hotel, vacation rental or private apartment.



### *Increased price competition and reduced search costs*

Enhanced price competition results in the display of rooms with a broad range of pricing options available from our advertisers.

### *Tailored search function*

Our search function is designed to enable individual users to find their "ideal hotel," vacation rental or private apartment. We personalize results based on a user's search terms, selected filters and other interactions with trivago's platform. In addition, we aggregate and analyze multiple sources of information to build a profile for each individual hotel. trivago's search algorithms, which are refined by millions of searches every day, create matches among the sets of information.

### *Deep content and easy-to-use information on hotels and other types of accommodation*

We obtain accommodation information from many sources, such as travel booking sites, hotel websites, review sites, directly from hotels and internal resources. This information includes pictures, descriptions, reviews, ratings and amenities. We synthesize and enrich this information. For example, our rating score distills review information from multiple sources into a single easy-to-use score for the traveler.

## **Key benefits for advertisers**

### *Broad traveler reach*

We offer advertisers a highly scalable channel of travelers, given our broad presence across multiple geographies and languages. Additionally, for many travelers, we believe we are the entry point to their search, enabling advertisers to engage with potential new customers.

### *Delivery of transaction-ready referrals*

We provide advertisers with motivated travelers who have proactively expressed their specific intent via our search platform. Due to the breadth of accommodation information we provide and our personalized matching algorithms, travelers referred by trivago often already have a comprehensive understanding of their accommodation choice and its value proposition for them, which we believe makes them more likely to complete a booking on the advertiser's site.

### *Market-driven, referral-based pricing structure*

We believe our advertisers value the flexibility to control the pricing and volume of referrals they generate from our marketplace. Our CPC bidding model makes it easy for advertisers to evaluate the performance of their spend and influence their own return on investment.

### *Improve advertisers' competitiveness*

Hotel advertisers have varying levels of experience, scale and resources to dedicate to their marketing efforts. We provide our advertisers with advice, actionable data insights and advertiser tools to help them optimize their investment on our marketplace by improving the quality of available content about their hotels.

## **Our strengths**

We believe that our competitive advantages are based on the following key strengths:

### *Industry-leading product and user experience*

We believe that we provide the most effective and intuitive hotel and other accommodation search platform for travelers. We have invested in our product over many years and continue to spend significant time and resources on further refining our websites and apps to provide the best possible user experience. We regularly test and enhance multiple aspects of our websites and apps, believing that incremental advancements over time add up to improvements in overall user experience. This approach benefits both our users and advertisers by enabling more satisfying and effective engagement with our platform.

### *Significant scale*

We have achieved significant scale, with more than 3.0 million hotels and other types of accommodation available on our platform as of December 31, 2018, including over 1.5 million units of alternative accommodation units, such as vacation rentals and private apartments. We are supported by 55 localized versions of our websites and apps available in 33 languages. Additionally, we believe we work with almost all significant international, regional and local OTAs. Our business benefits from our engaged and often long-established relationships with local advertisers globally. In the year ended December 31, 2018, we had 668.3 million Qualified Referrals. Bringing together advertisers and users at this scale creates powerful network effects, improving the quality of the trivago experience for all parties.

### *High brand recognition*

We have continuously invested in our brand over many years and have achieved strong brand recognition globally. Our brand drives traffic to our site by underpinning the connection travelers make between trivago and hotel and accommodation search.

### *Powerful data and analytics*

We capture large amounts of data across our platform, including traveler data, advertiser data, publicly available content and insights on how travelers and advertisers interact with our platform. As our business has grown, the volume of information we can analyze has also correspondingly increased. We take a data-driven, testing-based approach, where we use our proprietary tools and processes to measure and optimize end-to-end performance of our platform. Our ability to analyze and rapidly respond to this data enables us to continuously improve our platform.

### ***Our strategy***

We create value to our users and our advertisers through the power of technology. We believe that the strength of our brand and our position as a first source of information for travelers drive customer demand, which when combined with our global scale and broad based accommodation supply gives us a unique position in the ongoing migration of travel from offline to online. Our primary focus are technology and product innovation, measures to increase lifetime value of our customers as well as our continued efforts in building our brand as part of our ongoing global expansion.

### *Broadening value proposition*

Over the last year, we have onboarded multiple additional alternative accommodation providers, and as of December 31, 2018, now offer more than 1.5 million units of that type of accommodation on our search platform. We are focused on broadening the value proposition that we offer our users by empowering them to compare across multiple different accommodation types. We are also developing better tools for our users to tackle this inherently more complex comparison, with the aim of increasing the value that we create for them. As a result, we continued our gradual roll-out of additional readily bookable units of alternative accommodation, such as vacation rentals and private apartments over the course of 2018, while developing improvements to our user interface relating to that specific offering.

### *Product improvements*

Our technology teams drive innovation to help users navigate through a vast number of hotel and other accommodation offerings to find the hotel that is ideal for them. In 2018, we continued to invest in our technology platform, substantially revamping our back-end infrastructure, which subsequently went fully live in early 2019. We believe that this effort will create a foundation for growth and scalability of new technology in the long term.

During the second half of 2018, we also released our new mobile app, both on Android and iOS, highlighting our product philosophy of increasing time spent on trivago before making the booking decision on our advertisers. Furthermore, we have recently taken further steps to integrate alternative accommodation supply from HomeAway and other suppliers into our main search functionality.

We continue to focus our product innovations on increasing value delivered to our users by customizing our hotel search to our users' interests beyond location and price comparisons.

#### *Marketplace improvements and tools for advertisers*

We continue to focus on giving advertisers the flexibility to test and optimize their landing pages while promoting an experience on our website that we believe is optimal for our users.

We remain focused on maintaining a healthy marketplace that connects our broad and deep supply of hotels and other accommodations with our user base. Apart from the steps we are taking to increase diversity on our marketplace described above, we aim to mitigate competitive disadvantages for smaller advertisers on our marketplace. We believe that by providing tools and services, especially for advertisers with less technical infrastructure and experience, we can increase competition and create a more level playing field for advertisers.

#### *Focus on lifetime value of the customer*

We continue to implement various initiatives that are designed to focus more on the end-to-end booking value of our users and less on the revenue generated in each session. We believe that these initiatives will help us increase booking conversion rates, RPQR and, ultimately, our financial performance over the long term. In particular, we continue to implement measures that are designed to focus less on the click-based revenue generated by our users in each session and more on the booking value that our users generate for our advertisers over multiple sessions (or over the "lifetime" of the user). These measures include, on the one hand, changes to how we make decisions about allocating Advertising Spend to our marketing campaigns by tracking how likely a user that comes to us from a channel is to book a hotel with an advertiser. On the other hand, these measures involve enhancements to our site that encourage users to spend more time exploring it and interacting with its features before they are referred to one of our advertisers. These enhancements are relatively small, incremental changes to our product that we believe, when considered together, will increase user retention and booking conversion while reducing the number of click-outs required to ultimately make a booking.

Going forward, we plan to focus on changes to our platform, marketplace and Advertising Spend to optimize for traffic quality instead of volume. We aim to increase the value of our referrals by shortening the process for our users to move from the discovery to the booking decision (commonly referred to as the "booking funnel").

#### *Brand building*

We continue to focus on building our trivago brand. We still see potential for increasing brand awareness, especially in our Rest of World segment.

We intend to be each traveler's first source of information for hotels and other accommodations by growing our engagement with travelers through continuous investment in both online and offline marketing to build our brand efficiently and drive strong user acquisition and retention. We plan to continue enhancing our mobile offerings and user engagement on mobile devices, thereby further increasing access for travelers to our services anytime and anywhere. We believe that investing in our brand combined with product innovations will help us further improve customer loyalty and retention.

#### **Our customers**

Customers that pay to advertise on trivago include:

- OTAs, including large international players, as well as smaller, regional and local OTAs;
- Hotel chains, including large multi-national hotel chains and smaller regional chains;
- Independent hotels;
- Providers of alternative accommodation, such as vacation rental or private apartments; and
- Industry participants, including metasearch and content providers.

We generate the large majority of our revenue from OTAs. Certain brands affiliated as of the date hereof with our majority shareholder, Expedia Group, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif, HomeAway and ebookers, in the aggregate, accounted for 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively. Booking Holdings and its affiliated brands, Booking.com and, through 2015, Agoda, accounted for 43%, 44% and 39% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively.

Nearly all of our agreements with advertisers, including our agreements with our three largest advertisers, may be terminated at will or upon three to seven days' prior notice by either party. For more information on risks related to the concentration of our revenue and our relationship with our largest advertisers, see "*Item 3 D. Risk factors.*"

### **Competition**

We compete with other advertising channels for hotel advertisers' marketing spend. These include traditional offline media and online marketing channels. In terms of user traffic, we compete on the basis of the quality of referrals, CPC rates and advertisers' implied return on investment. While we compete with OTAs, hotel chains and independent hotels for user traffic, these parties also represent the key contributors to our revenue and supply of hotels and other accommodation.

#### Competition for users

We compete to attract users to our websites and apps to help them research and find hotels and other accommodation. Given our position at the top of the online search funnel, many companies we compete with are also our customers.

Our principal competitors for users include:

- Online metasearch and review websites, such as Kayak, Qunar, TripAdvisor and Google Hotel Ads;
- Search engines, such as Bing, Google, Naver and Yahoo!;
- Independent hotels and hotel chains, such as Accor, Hilton and Marriott;
- OTAs, such as Booking.com, Ctrip and Brand Expedia; and
- Alternative accommodation providers, such as Airbnb and HomeAway.

#### *Competition for advertisers*

We compete with other advertising channels for hotel advertisers' marketing spend. These include traditional offline media and online marketing channels. In terms of user traffic, we compete on the basis of the quality of referrals, CPC rates and advertisers' implied return on investment.

Our principal competitors for advertisers' marketing spend include:

- Print media, such as local newspapers and magazines;
- Other traditional media, such as TV and radio;
- Search engines, such as Bing, Google, Naver and Yahoo!;
- Online metasearch and review websites, such as Kayak, Qunar, TripAdvisor and Google Hotel Ads;
- Social networking services, such as Facebook and Twitter;
- Websites offering display advertising;
- Email marketing software and tools;
- Online video channels, such as YouTube; and
- Mobile app marketing.

## ***Our employees and culture***

We believe that our entrepreneurial corporate culture, flexible working hours and flat organizational structure are key ingredients to our success. These have been designed to reflect the fast-moving technology space in which we operate, as well as our determination to remain pioneers in our field. Our employees operate as entrepreneurs in their areas of responsibility, continuously striving for innovation and improvement. We encourage our employees to take on new challenges within the company regularly to broaden their perspective, accelerate their learning, ensure a high level of motivation and foster communication. Cultural fit is a key part of our recruiting process, as we seek to hire individuals comfortable working in a flat organizational structure that rewards those who take initiative and continuously seek to understand and learn, take risks and innovate. We regard failure as an opportunity to learn and inform improved approaches going forward.

Internally, we distill our values into six core qualities:

- *Trust*: We want to build an environment in which mutual trust can develop to give us the comfort and safety to discuss matters openly and to act freely.
- *Authenticity*: We aim to be authentic by staying true to ourselves and welcoming discussion and controversy as we believe that there is no progress without friction.
- *Entrepreneurial Passion*: We aim to be passionate drivers of change, motivated to question the status quo - for both the organization and ourselves. We believe intrinsic motivation empowers us to take on ownership, to take appropriate risks and to be confident to make decisions.
- *Power of Proof*: We believe empirical data enables us to make sensible decisions. We want to explore and understand the driving forces behind why our projects succeed or fail.
- *Unwavering Focus*: We aim to set our priorities based on the added value we believe is generated for trivago. We believe that multiple small, incremental improvements towards this goal add up to long-term success.
- *Fanatic Learning*: We aim to improve our competitive position by reacting quickly to findings based on our collective experiences, successes and failures. We strongly believe that power comes from sharing knowledge, not from keeping it to ourselves. We are open to continuously changing our beliefs and processes based on changing evidence. We see change as an opportunity to improve.

In 2017, we introduced our leadership framework, which is another step we have taken that is intended to keep our company agile. Under the new framework, we have broken up the traditional reporting lines into three dimensions, allowing each employee to progress on the dimensions he or she is most excited about and suitable for.

We have identified three core leadership roles:

- *responsibility leads*, who are responsible for the development of an operational area at trivago;
- *talent leads*, who are responsible for individuals' professional and personal development at trivago; and
- *knowledge leads*, who are responsible for sharing expertise and developing knowledge within trivago on a specific topic.

We envision that different individuals will often take on different leadership roles and will move into different roles as they learn what interests them and what role is most suitable for them. As our employees move into different roles within trivago, we intend for them to have one constant talent lead, who generally works on a different team.

We believe that moving employees into different leadership roles will help him or her use the expertise they have gained at trivago to challenge our thinking in different areas and to promote innovation. Our new leadership framework is intended to prevent us from forcing employees into pre-determined career development paths, which they did not actively choose to follow, and to create an environment where each

employee can naturally come across opportunities to help them learn and grow. By doing this, we plan to give employees the necessary freedom in their work in order for them to shape their own professional journeys while at trivago.

### ***Seasonality***

We experience seasonal fluctuations in the demand for our services as a result of seasonal patterns in travel. For example, searches and consequently our revenue are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter holiday travel. Our revenue typically decreases in the fourth quarter. We generally expect to experience higher return on advertising spend in the first and fourth quarter of the year as we typically expect to advertise less in the periods outside of high travel seasons. Seasonal fluctuations affecting our revenue also affect the timing of our cash flows. We typically invoice once per month, with customary payment terms. Therefore, our cash flow varies seasonally with a slight delay to our revenue, and is significantly affected by the timing of our advertising spending. Changes in the relative revenue share of our offerings in countries and areas where seasonal travel patterns vary from those described above may influence the typical trend of our seasonal patterns in the future.

### ***Intellectual property***

Our intellectual property, including trademarks, is an important component of our business. We rely on confidentiality procedures and contractual provisions with suppliers to protect our proprietary technology and our brands. In addition, we enter into confidentiality and invention assignment agreements with our employees and consultants.

We have registered domain names for websites that we use in our business, such as [www.trivago.com](http://www.trivago.com), [www.trivago.de](http://www.trivago.de) and [www.trivago.co.uk](http://www.trivago.co.uk). Our registered trademarks include: trivago, "Hotel? trivago," Room5, Youzhan and our trivago logo. These trademarks are registered in various jurisdictions.

### ***Government regulation***

trivago provides data and information to its users and advertisers and conducts consumer facing marketing activities that are subject to consumer protection laws in jurisdictions in which we operate, regulating unfair and deceptive practices. For example, the United States and the European Union (including at member state level) - but also many other jurisdictions - are increasingly regulating commercial and other activities on the Internet, including the use of information retrieved from or transmitted over the Internet, the display, moderation and use of user-generated content, and are adopting new rules aimed at ensuring user privacy and information security as well as increasingly regulating online marketing, advertising and promotional activities and communications, including rules regarding disclosures in relation to the role of algorithms and price display messages in the display practices of platforms.

There are also new or additional rules regarding the taxation of Internet products and services, the quality of products and services as well as addressing liability for third-party activities. Moreover, the applicability to the Internet of existing laws addressing issues such as intellectual property ownership and infringement is uncertain and evolving.

In particular, we are subject to an evolving set of data privacy laws. A new EU data protection regime (EU's General Data Protection Regulation 2016/679, or GDPR) has been in effect since May 25, 2018 and provides for a number of changes to the EU data protection regime. The GDPR applies to any company established in the European Union, as well as to those outside the European Union if they collect and use personal data in connection with the offering of goods or services to individuals in the European Union or the monitoring of their behavior (for example, trip booking services). The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on services providers. Non-compliance with the GDPR can trigger steep fines of up to €20 million or 4% of total worldwide annual turnover, whichever is higher. We may incur substantial expense in complying with the new obligations to be imposed by the GDPR and we may be required to make significant changes in our business operations and product and services development, all of which may adversely affect our revenues and our business overall.

In addition, EU laws regulate transfers of EU personal data to third countries, such as the United States, that have not been found to provide adequate protection to such personal data. A number of our service providers and hotels operate in such jurisdictions. There are recent regulatory concerns about certain measures that can be used to validate such data export, as well as litigation challenging some of the mechanisms for adequate data transfer (i.e., the standard contractual clauses). We could be impacted by changes in law as a result of the current challenges to these mechanisms by regulators and in the European courts which may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity which could have an adverse effect on our reputation and business.

Many governmental authorities in the markets in which we operate are also considering additional and potentially diverging legislative and regulatory proposals that would increase the level and complexity of regulation on Internet display, disclosure and advertising activities. For example, in the European Union there is an ongoing revision of EU consumer directives (A New Deal for Consumers) and the European Union is considering a proposal for a regulation of the European Parliament and of the Council for business users of online intermediary services (the P2B Regulation).

Many governmental authorities in the markets in which we operate are also considering alternative legislative and regulatory proposals that would increase regulation on Internet display, disclosure and advertising activities. For example, the EU legislators are preparing a new ePrivacy Regulation which is supposed to replace the so-called ePrivacy Directive (2002/58/EC), the so-called Cookie Directive (2009/136/EC) and respective EU member state implementation laws. This change in the law on an EU level may have significant impact on the legal requirements for electronic communication including the operation of websites and may require relevant financial effort to implement the new laws.

It is impossible to predict whether further new taxes or regulations will be imposed on our services and whether or how we might be affected. Increased regulation of the Internet could increase the cost of doing business or otherwise materially adversely affect our business, financial condition or results of operations. In addition, the application and interpretation of existing laws and regulations to our business is often uncertain, given the highly dynamic nature of our business and the sector in which trivago operates.

## ***Technology and infrastructure***

### *Data and proprietary algorithms*

We process a large amount of information about user traffic and behavior, advertisers and direct connections into the databases of many of our advertisers. We believe it is central to the success of our business that we effectively capture and parse this data. To achieve this, we have developed proprietary algorithms that drive key actions across our platform, including search, listings and bidding tools. We continue to explore new ways to capture relevant data and feed this into our platform to further enhance the experience for both our users and advertisers.

### *Infrastructure*

We host our platform at five different locations in Germany, the United States, Hong Kong and China, while also leveraging cloud-hosted services, which we believe offers us secure and scalable storage and processing power at manageable incremental expense. While much of the data we receive and capture is not sensitive, our data centers are compliant with the highest security standards. It is our policy to store separately the limited amount of sensitive data that we do capture. Where required, our data centers are payment card industry (PCI) compliant. We have designed our websites, apps and infrastructure to be able to support high-volume demand.

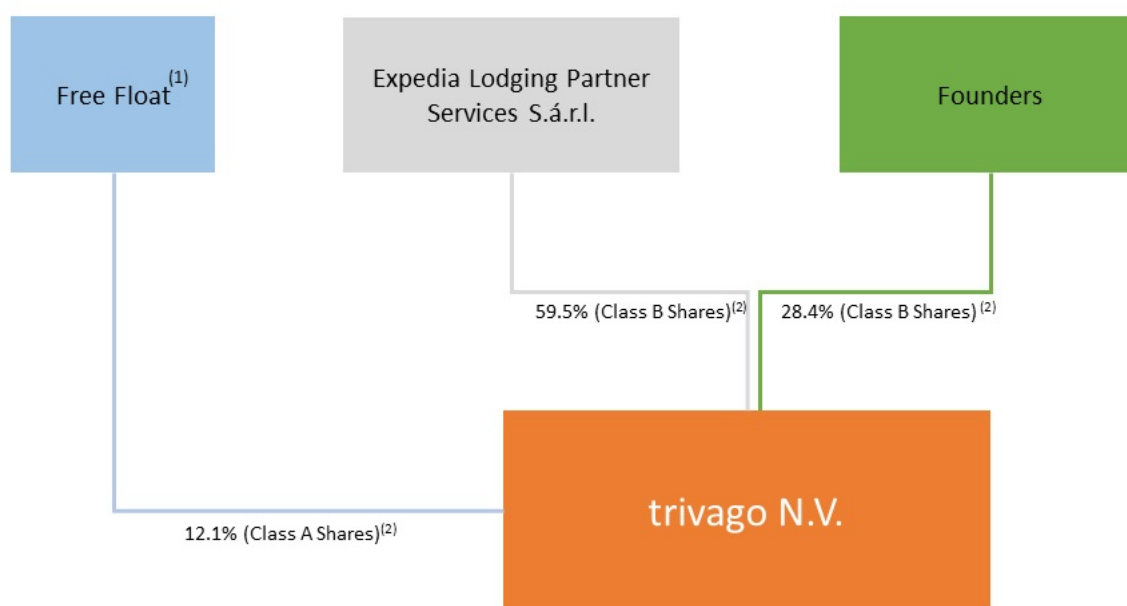
### *Software*

We develop our own software through our teams based in Germany, the Netherlands and Spain, employing a rigorous iterative approach. This includes the proprietary algorithm underlying our search function, internal management tools, data analytics and advertiser tools.

### C. Organizational structure

trivago N.V. historically acted as a holding company of trivago GmbH, the historical operating company of the trivago group. The cross-border merger of trivago GmbH into and with trivago N.V. became effective on September 7, 2017. In this annual report, unless the context otherwise requires, the terms “we,” “us,” “our,” “trivago” and the “company” refer to trivago GmbH, travel B.V. and trivago N.V., and their respective consolidated subsidiaries, as applicable.

The following chart depicts our corporate structure and percentages of economic interest as of the date hereof based on the number of shares outstanding as of December 31, 2018:



(1) The free float total includes 7,000,000 restricted shares purchased by PAR Investment Partners, L.P. from Mr. Vinnemeier and Mr. Siewert in a private transaction. For more information, see "Item 7 A. Major shareholders—Significant changes in ownership by major shareholders." The total also includes 3,862,000 Class B shares that were converted into Class A shares by Mr. Vinnemeier and Mr. Siewert, which are the subject of ongoing Rule 10b5-1 sales plans. As reported on Schedule 13D/A filed by Mr. Vinnemeier, on November 15, 2018, Mr. Vinnemeier entered into a Rule 10b5-1 sales plan with a broker to sell 2,000,000 ADSs, each representing a Class A share.

(2) The holders of our Class B shares are entitled to ten votes per share, and holders of our Class A shares are entitled to one vote per share. For more information about the voting rights of our Class A and Class B shares, see "Description of share capital and articles of association—Special voting structure and conversion" in our registration on Form F-3 dated April 5, 2018. Each Class B share is convertible into one Class A share at any time by the holder thereof, while Class A shares are not convertible into Class B shares under any circumstances.

trivago N.V. is the direct or indirect holding company of our subsidiaries. As of December 31, 2018, we do not own, directly or indirectly, any subsidiaries that we consider to be "significant". We used the three-part test set out in Section 1-02 (w) of Regulation S-X under the Exchange Act to determine significance. We do not have any other subsidiaries we believe are material based on other, less quantifiable, factors.



#### **D. Property, plant and equipment**

In June 2018, we moved into our new headquarters located in Düsseldorf's media harbor. The building comprises 26,107 square meters of office space and has been certified with LEED core & shell Gold - representing a state-of-the-art workplace for trivago. The lease provides for a fixed ten-year term plus two renewal options, each for a term of five years. trivago N.V. is the sole tenant of the building, and it has been built to our specifications.

We have additional 16,444 square meters of leased office space in Germany and 4,419 square meters of leased office space in Spain, the Netherlands and China.

### **Item 4A: Unresolved staff comments**

Not applicable.

## Item 5: Operating and financial review and prospects

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with “Item 3 A. Selected financial data” of this annual report and our consolidated financial statements and related notes appearing elsewhere in this annual report. In addition to historical information, this discussion contains forward-looking statements based on our current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in “Item 3 D. Risk factors” and “Special note regarding forward-looking statements” sections and elsewhere in this annual report.*

### **A. Operating results**

#### **Overview**

Our total revenue for the years ended December 31, 2016, 2017 and 2018 was €754.2 million, €1,035.4 million and €914.8 million, respectively, representing an increase of 37% from 2016 to 2017 and a decrease of 12% from 2017 to 2018. Our Referral Revenue for the years ended December 31, 2016, 2017 and 2018 was €745.8 million, €1,020.3 million and €899.8 million, respectively. Referral Revenue decreased by 12% year-over-year from 2017 to 2018. Our Americas and Developed Europe segments exhibited the highest decrease in Referral Revenue, with a year-over-year decrease of 19% and 11%, respectively, from 2017 to 2018, while Referral Revenue in our Rest of World segment grew by 1% year-over-year.

Our net losses for the years ended December 31, 2016, 2017 and 2018 were €51.4 million, €13.0 million and €21.5 million, respectively, decreasing by 75% from 2016 to 2017 and increasing by 65% from 2017 to 2018.

Adjusted EBITDA for the years ended December 31, 2016, 2017 and 2018 was €28.2 million, €6.7 million and €14.6 million respectively. This resulted in an Adjusted EBITDA margin (calculated as Adjusted EBITDA divided by Total Revenue) of 3.7%, 0.6% and 1.6%, respectively.

#### **Key factors affecting our financial condition and results of operations**

##### *How we earn and monitor revenue*

We earn substantially all of our revenue when users of our websites and apps click on hotel offers or advertisements in our search results and are referred to one of our advertisers. We call this our Referral Revenue. Each advertiser determines the amount that it wants to pay for each referral by bidding for advertisements on our marketplace. We also earn subscription fees for certain services we provide to advertisers, such as Hotel Manager Pro, although such subscription fees do not represent a significant portion of our revenue.

Key metrics we use to monitor our revenue include the number of Qualified Referrals we make, the revenue we earn for each Qualified Referral, or RPQR, and our Return on Advertising Spend, or ROAS.

##### *Qualified Referrals*

We use the term “referral” to describe each time a visitor to one of our websites or apps clicks on a hotel offer in our search results and is referred to one of our advertisers. We charge our advertisers for each referral on a cost-per-click, or CPC, basis.

Since a visitor may generate several referrals on the same day, but typically intends to only make one booking on a given day, we track and monitor the number of Qualified Referrals from our platform. We define a “Qualified Referral” as a unique visitor per day that generates at least one referral. For example, if a single visitor clicks on multiple hotel offers in our search results in a given day, they count as multiple referrals, but as only one Qualified Referral. While we charge advertisers for every referral, we believe that the Qualified Referral metric is a helpful proxy for the number of unique visitors to our site with booking intent, which is

the type of visitor our advertisers are interested in and which we believe supports bidding levels in our marketplace.

We had 535.3 million, 727.1 million and 668.3 million Qualified Referrals for the years ended December 31, 2016, 2017 and 2018, respectively, representing annual growth rates of 35.8% and (8.1)% in 2017 and 2018, respectively.

We believe the primary factors that drive changes in our Qualified Referral levels are the number of visits to our websites and apps, the booking intent of our visitors, the number of available accommodations on our search platform, content (the quality and availability of general information, reviews and pictures about the hotels), hotel room prices (the price of accommodation as well as the number of price sources for each accommodation), hotel ratings, the user friendliness of our websites and apps and the degree of customization of our search results for each visitor. In the short term, our Qualified Referral levels are also heavily impacted by changes in our investment in Advertising Spend, as we rely on advertisements to attract users to our platform. Ultimately, we aim to increase the number and booking conversion of Qualified Referrals we generate by focusing on making incremental improvements to each of these parameters. In addition to continuously seeking to expand our network in hotel advertisers and alternative accommodations, we partner with such hotels or service providers to improve content, and we constantly test and improve the features of our websites and apps to improve the user experience, including our interface, site usability and personalization for each visitor.

The following table sets forth the number of Qualified Referrals for our reportable segments for the periods indicated:

(in millions) (unaudited)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Americas	149.1	203.4	182.3	36.4%	(10.4)%
Developed Europe	255.4	295.5	246.7	15.7%	(16.5)%
Rest of World	130.8	228.3	239.3	74.5%	4.8 %
<b>Total</b>	<b>535.3</b>	<b>727.1</b>	<b>668.3</b>	<b>35.8%</b>	<b>(8.1)%</b>

Note: Some figures may not add due to rounding.

#### Revenue per Qualified Referral (RPQR)

We use average Revenue per Qualified Referral, or RPQR, to measure how effectively we convert Qualified Referrals to revenue. RPQR is calculated as Referral Revenue divided by the total number of Qualified Referrals in a given period. Alternatively, RPQR can be separated into its price and volume components and calculated as follows:

$$\text{RPQR} = \text{RPR} \times \text{click-out rate}$$

where

$$\text{RPR} = \text{revenue per referral}$$

$$\text{click-out rate} = \text{referrals} / \text{Qualified Referrals}$$

RPQR is determined by the CPC bids our advertisers submit on our marketplace as the CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Advertisers can analyze the number of referrals obtained from their advertisements on our marketplace and the consequent value generated from a referral based on the booking value they receive from users referred from our site to determine the amount they are willing to bid. Accordingly, the bidding behavior of our advertisers is influenced by the rate at which our Qualified Referrals result in bookings on their websites, or booking conversion, and the amount our advertisers obtain from Qualified Referrals as a result of hotels and other accommodation booked on their sites, or booking value. We refer to the degree to which we are able to capture our share in the overall estimated booking revenues generated by our

advertisers from our referrals as "commercialization." The quality of the traffic we generate for our advertisers increases when aggregate booking conversion and/or aggregate booking value increases. We estimate overall booking conversion and booking value from data voluntarily provided to us by certain advertisers to better understand the drivers in our marketplace and, in particular, to gain insight into how our advertisers manage their advertising campaigns. While we believe that the quality of the traffic we referred to our advertisers improved in the second half of 2018, the information we used as the basis for this analysis is subject to a number of uncertainties, including those related to the accuracy of the information we receive from certain of our advertisers and the methodologies we and our advertisers use to track and analyze whether a user ultimately completes a booking. Assuming unchanged dynamics in the market beyond our marketplace, we would expect that the higher the potential booking value or conversion generated by a Qualified Referral and the more competitive the bidding, the more an advertiser is willing to bid for a hotel advertisement on our marketplace. This means that the levels of advertisers' CPC bids generally reflect their view of the likelihood that each click on an offer will result in a booking by a user. We believe our attribution model and product optimization measures have contributed to continuous improvement in our referred traffic quality, which have had a positive effect on our RPQR notably in the fourth quarter of 2018. However, the dynamics in the market beyond our marketplace are not static, and we believe that our advertisers continuously review their Advertising Spend on our platform and on other advertising channels, and continuously seek to optimize their allocation of their spending among us and our competitors.

RPQR is a key financial metric that describes the quality of our referrals, the efficiency of our marketplace and, as a consequence, how effectively we monetize the referrals we provide our advertisers. Furthermore, we use RPQR to help us detect and analyze changes in market dynamics. For the years ended December 31, 2016, 2017 and 2018, RPQR was €1.39, €1.40 and €1.35, respectively.

The following table sets forth the RPQR for our reportable segments for the periods indicated (based on Referral Revenue):

RPQR in € (unaudited)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Americas	1.92	1.93	1.73	0.5%	(10.4)%
Developed Europe	1.37	1.44	1.54	5.1%	6.9%
Rest of World	0.85	0.89	0.86	4.7%	(3.4)%
<b>Total</b>	1.39	1.40	1.35	0.7%	(3.6)%

The following tables set forth the percentage change year-over-year in each of the components of RPQR for our reportable segments for the years indicated. Percentages calculated below are based on the unrounded amounts and therefore may not recalculate on a rounded basis.

% increase in RPR (unaudited)	Year ended December 31,	
	2017 vs 2016	2018 vs 2017
Americas	8.6%	2.6%
Developed Europe	19.1%	19.6%
Rest of World	10.3%	6.3%
<b>Total</b>	10.2%	5.6%

% increase (decrease) in number of referrals (unaudited)	Year ended December 31,	
	2017 vs 2016	2018 vs 2017
Americas	25.9%	(21.2)%
Developed Europe	2.8%	(24.7)%
Rest of World	64.5%	(5.2)%
<b>Total</b>	24.4%	(17.3)%

% increase (decrease) in Qualified Referrals (unaudited)	Year ended December 31,	
	2017 vs 2016	2018 vs 2017
Americas	36.4%	(10.4)%
Developed Europe	15.7%	(16.5)%
Rest of World	74.6%	4.8 %
<b>Total</b>	35.8%	(8.1)%

% increase (decrease) in click-out rate referrals (unaudited)	Year ended December 31,	
	2017 vs 2016	2018 vs 2017
Americas	(7.7)%	(12.1)%
Developed Europe	(11.1)%	(9.8)%
Rest of World	(5.8)%	(9.6)%
<b>Total</b>	(8.4)%	(10.0)%

#### *Return on advertising spend (ROAS)*

We track the ratio of our Referral Revenue to our advertising expenses, or ROAS. We believe that ROAS is an indicator of the effectiveness of our advertising, and it is our primary operating metric. Our ROAS was 120%, 115% and 123% for the years ended December 31, 2016, 2017 and 2018, respectively. Our ROAS in the Americas, Developed Europe and the Rest of World was 118%, 136% and 90% for the year ended December 31, 2016, respectively, as compared to 116%, 131% and 92% for the year ended December 31, 2017, respectively, and 121%, 143% and 100% for the year ended December 31, 2018, respectively. We believe the development of our ROAS among the reportable segments is primarily related to the different stages of development of our markets. For example, in Developed Europe, where we have operated the longest on average, we have historically experienced the highest average ROAS. Our ROAS in the Rest of World segment, where we have the lowest average ROAS, is also impacted significantly by the number of markets in the segment, including markets that we have recently entered and thus require significant Advertising Spend to reach scale. Over time, as our markets continue to develop, we believe that we will experience further increases in the efficiency of our Advertising Spend and thus improvements in our average ROAS. Given that Advertising Spend accounts for the significant majority of our total expenses, we believe this will have a direct impact on our operating margins and Adjusted EBITDA.

Historically, we believe that our advertising has been successful in generating additional revenue. We invest in many kinds of marketing channels, such as TV, out-of-home advertising, radio, search engine marketing, display and affiliate marketing, email marketing, social media, online video, mobile app marketing and content marketing.

Our ROAS by reportable segment for the years ended December 31, 2016, 2017 and 2018 was as follows:

(unaudited)	Year ended December 31,		
	2016	2017	2018
Americas	118%	116%	121%
Developed Europe	136%	131%	143%
Rest of World	90%	92%	100%
<b>Total</b>	<b>120%</b>	<b>115%</b>	<b>123%</b>

In 2018, our ROAS improved to 123% as there was a substantial improvement in our ROAS in the second half of 2018, reflecting the positive effect from optimization and recalibration of Advertising Spend since the second quarter of 2018. The improvement was partly offset by lower ROAS in the first half of 2018 when we lowered profitability targets on our Advertising Spend to support revenue levels.

#### *Marketplace dynamics*

Our advertisers regularly adjust the CPC bids they submit on our marketplace to reflect the levels of referrals, customers, bookings or revenue and profit they intend to achieve with their marketing spend on our platform. In recent years, we have observed a number of factors can influence their bidding behavior on our marketplace, including:

- The fees advertisers are willing to pay based on how they manage their advertising costs and their targeted return on investment;
- Our advertisers' testing of their bidding strategies and the extent to which they make their inventories available on our marketplace;
- Responses of advertisers to elevated levels of volatility on our marketplace;
- Advertiser competition for the placement of their offers; and
- Our advertisers' response to changes made to our marketplace, such as the relevance assessment.

#### **Recent trends in our business**

The following recent trends have contributed to the results of our consolidated operations, and we anticipate that they will continue to impact our future results.

#### *Changing dynamics on our marketplace*

After a period of increased marketplace volatility and testing activities by our largest advertisers in late 2017, the volatility on our marketplace was relatively muted in 2018. At the same time, we believe that, in 2018, our largest advertisers increased their return on investment targets for their spend on our marketplace compared to the same period in 2017. This in turn had a negative effect on our share of the overall booking revenues generated from referrals on our platform (commercialization), and was evidenced in our RPQR, which declined on a consolidated basis in 2018, even as the optimizations we have been making to our platform and product and our attribution model appeared to continue to improve the traffic quality we generated for our advertisers. The decline in commercialization was particularly pronounced in the first half of 2018 compared to a strong first half of 2017, which had benefited from positive revenue effects from the introduction of the relevance assessment.

#### *Focus on profitability*

Starting late in the second quarter of 2018, we made improved profitability our focus. To do this, we began to optimize and recalibrate our Advertising Spend to adapt to the changing dynamics on our marketplace. We began to make these changes at the end of the second quarter of 2018 across all of our segments, and they were reflected in reduced brand marketing expenditure and increased return on investment targets for our performance marketing campaigns. While these measures improved our profitability, they also led to a

reduction in traffic to our platform attributable to all marketing channels and accordingly resulted in a reduction in the number of Qualified Referrals, which was particularly evident in the second half of 2018.

#### *Measures designed to maximize the lifetime value of the user*

We continued to implement measures designed to focus less on the click-based revenue generated by our users in each session and more on the booking value that our user generate for our advertisers over multiple sessions (or over the "lifetime" of the user). These measures include, on the one hand, changes to how we make decisions about allocating Advertising Spend to our performance marketing campaigns by tracking how likely a user that comes to us from a channel is to book a hotel with an advertiser (or how we "attribute" spending to marketing channels). On the other hand, these measures involve enhancements to our site that encourage users to spend more time exploring and interacting with our site and its features before being referred to one of our advertisers. We believe these relatively small, incremental changes to our product have resulted, when considered together, in improvements to our product and platforms that continue to positively impact our advertisers' CPC bids on our marketplace.

As we optimized our Advertising Spend (as described above) and continued to implement measures aimed at optimizing our platforms and product, we were able to improve the quality of the traffic that we referred to our advertisers notably in the second half of 2018 in Developed Europe and slightly in Rest of World (or "RoW"), which was evident in the development of RPQR in these segments in the fourth quarter of 2018. Reflecting this, we saw positive signs, particularly in the fourth quarter of 2018, that our largest advertisers reacted positively to the improved quality of traffic that we referred to them by increasing their average CPC bids on our platform.

#### *Referral Revenue split among our segments*

Our Referral Revenue from the Americas, Developed Europe and the Rest of World were 37.8%, 41.0% and 19.7% of our total revenue, respectively, for the year ended December 31, 2017 and were 34.5%, 41.4% and 22.4% of our total revenue, respectively, for the year ended December 31, 2018. We believe the different trends in Referral Revenue growth across our reportable segments is primarily related to the different stages of development of our markets. We generate the most Referral Revenue in Developed Europe, our segment that includes the markets where we have operated the longest and where we have the highest level of brand awareness. Our revenue levels are relatively more resilient in our newest markets, and as a result, our Referral Revenue in RoW increased slightly in 2018 compared to the same period in 2017.

#### *Mobile products*

Travelers increasingly access the Internet from multiple devices, including desktop computers, smartphones and tablets. We continue to develop our websites and apps to further enhance our hotel search experience across all devices. We offer responsive mobile websites and several apps that allow travelers to use our services from smartphones and tablets running on Android and iOS. In the year ended December 31, 2018, our revenue share from mobile websites and apps continued to exceed 60%.

Visitors to our search platform via mobile phone and tablet generally result in bookings for our advertisers at a lower rate than visitors to our platform via desktop. We believe this is due to a general difference in the usage patterns of mobile phones and tablets. We believe many visitors use mobile phones and tablets as part of their search process, but prefer finalizing hotel selections and completing their bookings on desktop websites. This may be due in part to users generally finding the booking completion processes, including entering payment information, somewhat easier or more secure on a desktop than on a mobile device. We believe that over time and as more travelers become accustomed to mobile transactions, this sentiment may shift.

We have historically had, and currently have, a single bidding price structure for referrals from both desktop and mobile. We may choose to adopt a differentiated pricing model between mobile and desktop applications, which would likely lead to an increase in desktop revenue share, as the pricing for desktop applications would increase due to higher conversion rates, while the pricing for apps on mobile and tablets would likely decrease. We do not expect this to have a material impact on revenue, as long as there are sufficient active participants on both desktop and mobile to ensure our marketplace functions effectively, as we believe that

the current bids advertisers place on our CPC-based bidding system reflect the overall efficacy of the combined desktop and mobile prices they receive.

In the third quarter of 2018, we launched a new iOS and Android app, which have an improved user interface intended to encourage our users to increase their interaction with our content with the aim of improving our booking performance.

#### *Advertiser structure*

We generate most of our revenue from a limited number of OTAs. Certain brands affiliated as of the date hereof with our majority shareholder, Expedia Group, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif, HomeAway and ebookers, in the aggregate, accounted for 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively. Booking Holdings and its affiliated brands, Booking.com and Agoda, accounted for 43%, 44% and 39% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively. Although we believe we will ultimately receive a portion of the additional booking value we generate for our advertisers, the fact that a significant portion of our Referral Revenue is generated from brands affiliated with Booking Holdings and Expedia Group can permit them to obtain the same or increased levels of referrals, customers, bookings or revenue and profit at lower cost. We believe that our business success in the long term will be enhanced by diversification among our advertisers, in particular by means of expanding our relationships with independent hotels, hotel chains and providers of alternative accommodation and continuing to act as a platform that enables travelers to compare hotel rooms that are offered by smaller and local OTAs or independent hotels or by the leading international brands.

We continued to take steps to increase advertiser diversity on our marketplace, including integrating vacation rental inventory onto our search platform, with the aim of integrating additional inventory of alternative accommodation going forward. Advertiser diversification allows us to improve the user experience by expanding the depth of our hotel and other accommodation offerings to facilitate price transparency as well as to improve the content quality, availability and usability of our advertisers' offers, thereby increasing the value our users derive from our websites and apps. For example, some independent hotels and smaller hotel chains rely exclusively on their own websites and/or an OTA to distribute their offerings. Our engagement with such advertisers permits us to display an offer on behalf of that advertiser directly, making the offer accessible to our users, or increasing the number of offers if an accommodation was previously only available through an OTA. Direct engagement also permits an advertiser to have more control of the content and placement of its offer, since we are able to offer tools and assistance to optimize content and offer strategy on our marketplace.

We believe advertiser diversification could mitigate some of the risks we face with respect to consolidation within the travel content marketplace, as consolidation could over time reduce the number of offers we have available on our platform for each hotel, which could cause our services to become less valuable to users. Correspondingly, with fewer bids for offers from a consolidated group of advertisers, RPQR could decrease. We believe that as a result of the number of marketplace participants and the competition among various brands within consolidated OTAs, there has historically been sufficient liquidity on our marketplace to sustain competitive bid levels in our most relevant markets, such that if the top bidder leaves the platform, the next highest bidder moves into position to partially sustain our revenue. In 2017, we observed this to some extent as some of our largest advertisers withdrew from our marketplace for periods of time in certain geographic markets, although this testing activity had a significant negative impact on our financial results in 2017. In less liquid geographic markets, our initiative to connect hotels directly to our platform may mitigate, at least in small part, a potential decrease in OTA marketplace participants. As of December 31, 2018, we had direct relationships with over 500,000 hotels, representing over 15% of the total number of hotels advertised on trivago.



## Results of Operations

### Comparison of the years ended December 31, 2016, 2017 and 2018:

(in thousands)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Consolidated statement of operations:					
Revenue	€ 485,942	€ 667,802	€ 583,395	37.4 %	(12.6)%
Revenue from related party	268,227	367,581	331,421	37.0 %	(9.8)%
Total revenue	754,169	1,035,383	914,816	37.3 %	(11.6)%
Costs and expenses:					
Costs of revenue, excluding amortization	4,273	5,930	5,435	38.8 %	(8.3)%
Selling and marketing <sup>(1)</sup>	673,224	946,925	805,633	40.7 %	(14.9)%
Technology and content	51,658	52,232	66,904	1.1 %	28.1 %
General and administrative	55,602	47,444	54,326	(14.7)%	14.5 %
Amortization of intangible assets	13,857	3,220	1,684	(76.8)%	(47.7)%
Operating loss	(44,445)	(20,368)	(19,166)	54.2 %	5.9 %
Other income (expense):					
Interest expense	(137)	(44)	(1,839)	67.9 %	(4,079.5)%
Gain on deconsolidation of entity	—	2,007	—	n.m.	(100.0)%
Other, net	(139)	592	539	525.9 %	(9.0)%
Total other income (expense), net	(276)	2,555	(1,300)	1,025.7 %	(150.9)%
Income/(loss) before income taxes	(44,721)	(17,813)	(20,466)	60.2 %	(14.9)%
Expense (benefit) for income taxes	6,670	(4,764)	1,086	(171.4)%	122.8 %
Loss before equity method investment	(51,391)	(13,049)	(21,552)	74.6 %	(65.2)%
Net income/(loss) from equity method investment	—	—	63	n.m.	n.m.
Net loss	(51,391)	(13,049)	(21,489)	74.6 %	(64.7)%
Net loss attributable to noncontrolling interests	710	568	—	(20.0)%	(100.0)%
<b>Net loss attributable to trivago N.V.</b>	<b>€ (50,681)</b>	<b>€ (12,481)</b>	<b>€ (21,489)</b>	<b>75.4 %</b>	<b>(72.2)%</b>

*n.m. not meaningful*

*(1) Includes €1.0 million of selling and marketing expense for the year ended December 31, 2018 that was not included in our unaudited results for the fourth quarter ended December 31, 2018.*

	Year ended December 31,		
	2016	2017	2018
<b>Consolidated statement of operations as a percent of total revenue:</b>			
Revenue	64.4 %	64.5 %	63.8 %
Revenue from related party	35.6 %	35.5 %	36.2 %
Total revenue	100.0 %	100.0 %	100.0 %
Costs and expenses:			
Cost of revenue, excluding amortization	0.6 %	0.6 %	0.6 %
Selling and marketing <sup>(1)</sup>	89.3 %	91.5 %	88.1 %
Technology and content	6.8 %	5.0 %	7.3 %
General and administrative	7.4 %	4.6 %	5.9 %
Amortization of intangible assets	1.8 %	0.3 %	0.2 %
Operating loss	(5.9)%	(2.0)%	(2.1)%
Other income (expense):			
Interest expense	— %	— %	(0.2)%
Gain on deconsolidation of entity	— %	0.2 %	— %
Other, net	— %	0.1 %	0.1 %
Total other income (expense), net	— %	0.2 %	(0.1)%
Loss before income taxes	(5.9)%	(1.7)%	(2.2)%
Expense (benefit) for income taxes	0.9 %	(0.5)%	0.1 %
Loss before equity method investment	(6.8)%	(1.3)%	(2.4)%
Net income/(loss) from equity method investment	— %	— %	— %
Net loss	(6.8)%	(1.3)%	(2.3)%
Net loss attributable to non-controlling interests	0.1 %	0.1 %	— %
<b>Net loss attributable to trivago N.V.</b>	<b>(6.7)%</b>	<b>(1.2)%</b>	<b>(2.3)%</b>

(1) Includes €1.0 million of selling and marketing expense for the year ended December 31, 2018 that was not included in our unaudited results for the fourth quarter ended December 31, 2018.

## Revenue

Our Total Revenue in the year ended December 31, 2018 consisted of Referral Revenue of €899.8 million and other revenue of €15.0 million. Our total revenue in the year ended December 31, 2017 consisted of Referral Revenue of €1,020.3 million and other revenue of €15.0 million. Our total revenue from the year ended December 31, 2016 consisted of Referral Revenue of €745.8 million and other revenue of €8.3 million.

### 2018 compared to 2017

Total revenue for the year ended December 31, 2018 was €914.8 million, representing a decrease of €120.6 million, or 11.6%, compared to the year ended December 31, 2017. Revenue from related party for the year ended December 31, 2018 decreased by €36.2 million, or 9.8%, compared to the year ended December 31, 2017, while revenue from third parties decreased by 12.6% for the same period. The revenue from both third parties and related party were negatively impacted by a decline in Qualified Referrals, lower levels of commercialization and unfavorable movements in foreign exchange rates.

Referral Revenue in the year ended December 31, 2018 decreased by €120.5 million, or 11.8%, compared to the same period in 2017. The number of Qualified Referrals decreased by 8.1% in the year ended December 31, 2018 compared to the same period in 2017. During the same period, RPQR decreased by 3.6%. The decline in Referral Revenue was driven by a decline in Qualified Referrals notably in the second half of 2018, lower levels of commercialization and unfavorable movements in foreign exchange rates.

The decrease in Qualified Referrals in the year ended December 31, 2018 was primarily due to a reduction in our Advertising Spend that began in the second quarter of 2018 across all segments, which was partly offset by the positive growth in Qualified Referrals in the first quarter of 2018. All segments reflected the impact on click-out rates from the attribution model and product optimization described above.

RPQR slightly decreased in the year ended December 31, 2018 as the RPQR decreased in Americas and RoW while it was partly offset by the RPQR increase in Developed Europe. We continued to experience negative impacts from lower levels of commercialization and unfavorable movements in foreign exchange while we observed a slight improvement in traffic quality in Developed Europe and RoW in the second half of 2018.

#### *2017 compared to 2016*

Total revenue for the year ended December 31, 2017 was €1,035.4 million, representing an increase of €281.2 million, or 37.3%, compared to the year ended December 31, 2016. Revenue from related parties for the year ended December 31, 2017 increased by €99.4 million, or 37.0%, compared to 2016, while revenue from third parties increased by 37.4% for the same period. The increase in revenue from third parties is due to the positive revenue effect in the first half of 2017 following the introduction of our relevance assessment as some third-party advertisers compensated for their lower relevance assessment by submitting higher CPC bids versus the Expedia Group on our marketplace. In the second half of 2017, advertisers were able to lower their CPC bids as these advertisers responded to the introduction of the relevance assessment, as described above.

Referral Revenue in the year ended December 31, 2017 increased by €274.5 million, or 36.8%, compared to 2016. This growth was primarily due to an increase by 35.8% in the number of Qualified Referrals in the year ended December 31, 2017 compared to 2016. During the same period, RPQR increased by 0.7%. The growth in Referral Revenue was driven by strong Advertising Spend and the positive Referral Revenue effects during the first half of 2017 following the introduction of our relevance assessment as described above. We reinvested additional Referral Revenue from the relevance assessment in advertising, which also had a positive effect on Referral Revenue during the first half of 2017. In the second half of 2017, we experienced a significant slowdown in Referral Revenue growth as some significant advertisers responded to the introduction of the relevance assessment as described above. This included an algorithm-driven pull back in our performance marketing Advertising Spend and a deceleration of our brand marketing expenditure growth. The second half of 2017 was also negatively impacted by lower levels of commercialization and increased volatility on our marketplace due to significant testing activities by our largest advertisers.

The increase in Qualified Referrals in the year ended December 31, 2017 was due to the increased awareness of our brand and continued strong TV Advertising Spend, as well as an increase in performance marketing spend in the first half of 2017. The significant slow-down in Qualified Referral growth rates in the second half of 2017 compared to the same period in 2016 was driven by a deceleration of our Advertising Spend growth and the impact of the new attribution model and ongoing product optimization as described above.

RPQR was positively impacted in the first half of 2017 by the introduction of the relevance assessment in our marketplace algorithm, which was partially offset in the second half of 2017 by the negative revenue effects described above relating to our advertisers' response to the introduction of the relevance assessment as well as lower levels of commercialization and increased advertiser testing activities. The second half of 2017 was also negatively impacted by the relative weakening of the U.S. dollar and certain currencies in the Asia Pacific region but was positively impacted by effects we observed from the continued roll-out of the new attribution model and the implementation of measures aimed at optimizing our platforms, which we believe contributed to increased levels of booking conversion. RPQR in 2017 was also negatively impacted by the increased weighting of RPQR in our Rest of World segment.

The breakdown of Referral Revenue by reportable segment is as follows:

(in millions)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Americas	€ 286.4	€ 391.7	€ 316.0	36.8%	(19.3)%
Developed Europe	348.9	425.0	378.9	21.8%	(10.8)%
Rest of World	110.5	203.6	204.9	84.3%	0.6 %
Total	€ 745.8	€ 1,020.3	€ 899.8	36.8%	(11.8)%

#### *2018 compared to 2017*

Referral Revenue in the Americas in the year ended December 31, 2018 decreased by €75.7 million, or 19.3%, compared to the year ended December 31, 2017. Referral Revenue in Americas was negatively impacted by the decline in Qualified Referrals, reflecting the reductions in our Advertising Spend, an unfavorable revenue shift towards lower RPQR locales, particularly away from North America in the second half of 2018, lower levels of commercialization and unfavorable foreign exchange effects, reflecting the relative weakening of the U.S. dollar to the euro notably in the first half of 2018 and the relative weakening of certain Latin American currencies to the euro throughout the year. During the year ended December 31, 2018, RPQR in Americas decreased by €0.20, or 10.4%, compared to the same period in 2017. The slight increase in RPR for the period of 2.6% was completely offset by a decline in the click-out rate of 12.1%, compared to the same period in 2017. The decline in the click-out rate reflected the impacts of our platform optimization measures and the new attribution model, which led to fewer referrals per Qualified Referral. RPQR development in Americas was negatively impacted by lower levels of commercialization particularly in the first nine months of 2018, a shift towards lower RPQR locales in the second half of 2018 and the negative foreign exchange effects described above, partly offset by slightly improved traffic quality.

Referral Revenue for Developed Europe in the year ended December 31, 2018 decreased by €46.1 million, or 10.8%, compared to the year ended December 31, 2017. Referral Revenue in Developed Europe was negatively impacted by a decline in Qualified Referrals and lower levels of commercialization, which were partly compensated by slightly improved traffic quality. During the same period, RPQR in Europe increased by €0.10, or 6.9%, as RPR increased by 19.6% for the period, which was partly offset by a reduction in the click-out rate for the period by 9.8%, reflecting the impacts of our platform optimization measures and the new attribution model, which led to fewer referrals per Qualified Referral. The increase in RPQR was driven by positive effects of improved traffic quality, partly offset by the negative impact from lower levels of commercialization in the first nine months of 2018.

Referral Revenue for the Rest of World in the year ended December 31, 2018 slightly increased by €1.3 million, or 0.6%, compared to the year ended December 31, 2017. Referral Revenue in RoW increased slightly compared to the same period in 2017 as the positive effects from increased Qualified Referrals in the first half of 2018 and slightly improved traffic quality were largely offset by lower levels of commercialization and unfavorable foreign exchange rate effects, reflecting the relative weakening of the U.S. dollar and certain currencies in the Asia Pacific region to the euro. During the same period, RPQR in Rest of World slightly decreased by €0.03, or 3.4%, even though RPR even increased by 6.3% for the period due to a reduction in the click-out rate for the period of 9.6%. The decline in the click-out rate reflected the impacts of platform optimization measures and the attribution model, which have led to fewer referrals per Qualified Referral. The slight decline in RPQR was driven by lower levels of commercialization and negative foreign exchange effects described above, while partly offset by slightly improved traffic quality.

#### *2017 compared to 2016*

Referral Revenue in the Americas in the year ended December 31, 2017 increased by €105.3 million, or 36.8%, compared to the year ended December 31, 2016. This growth was primarily due to an increase by 36.4% in the number of Qualified Referrals in the year ended December 31, 2017 compared to the year

ended December 31, 2016. The increase in Referral Revenue was primarily driven by the positive impact of the relevance assessment in the first half of 2017 and our advertisers' response to the introduction of the relevance assessment as well as lower levels of commercialization and increased advertiser testing activities described above. We also faced significant headwinds towards the end of 2017 as a result of the relative weakening of the U.S. dollar against the euro. During the same period, RPQR in the Americas increased by €0.01, or 0.5%, compared to 2016. The increase in RPR for the period of 8.6% was almost completely offset by a decline in the click-out rate of 7.7%. The decline in the click-out rate reflected the impacts of platform optimization measures and the new attribution model, which have led to fewer referrals per Qualified Referral. In addition, click-out rates tend to decrease with a growing share of mobile visits and a growing customer base as users become more familiar with the platform.

Referral Revenue for Developed Europe in the year ended December 31, 2017 increased by €76.1 million, or 21.8%, compared to the year ended December 31, 2016. This growth was primarily due to an increase of 15.7% in the number of Qualified Referrals in the year ended December 31, 2017 compared to 2016. The increase in Referral Revenue was driven by the positive impacts of the relevance assessment in the first half of 2017. In the second half of 2017, we experienced a significant slowdown in Referral Revenue growth as a result of the negative revenue effects described above relating to our advertisers' response to the introduction of the relevance assessment. In Developed Europe, the impact of lower levels of commercialization and testing activities of our largest advertisers in the second half of 2017 was more pronounced, negatively affecting Referral Revenue in that period. In 2017, RPQR in Developed Europe increased by €0.07, or 5.1%, even though RPR increased by 19.1% for the period, which was partly offset by a reduction in the click-out rate for the period by 11.1%, reflecting the impacts of platform optimization measures and the new attribution model, which have led to fewer referrals per Qualified Referral.

Referral Revenue for the Rest of World in the year ended December 31, 2017 increased by €93.1 million, or 84.3%, compared to the year ended December 31, 2016. This growth was primarily due to the 74.6% increase in the number of Qualified Referrals in the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in Referral Revenue was primarily driven by the positive impacts of the relevance assessment in the first half of 2017. In the second half of 2017, we experienced a significant slowdown in Referral Revenue growth as a result of the negative revenue effects described above relating to our advertisers' response to the introduction of the relevance assessment and lower levels of commercialization and increased advertiser testing activities. We also faced significant headwinds towards the end of 2017 as a result of the relative weakening of the U.S. dollar against certain currencies in the Asia Pacific region. During the same period, RPQR in Rest of World increased by €0.04, or 4.7% even though RPR even increased by 10.3% for the period due to a reduction in the click-out rate for the period of 5.8%. The decline in the click-out rate reflected the impacts of platform optimization measures and the attribution model, which have led to fewer referrals per Qualified Referral.

### ***Cost of Revenue and Expenses***

#### ***Cost of revenue, including related party***

Our cost of revenue consists primarily of our data center costs, personnel-related expenses and share-based compensation for our data center operations staff and our customer service team. Cost of revenue, including from related party, was €4.3 million, €5.9 million and €5.4 million for the years ended December 31, 2016, 2017 and 2018, respectively.

#### ***2018 compared to 2017***

Cost of revenue for the year ended December 31, 2018 decreased by €0.5 million, or 8%, compared to the year ended December 31, 2017 and was primarily driven by lower data center and server depreciation expenses of €0.4 million. Our personnel-related costs decreased by €0.1 million due to a decrease in headcount from 60 employees as of December 31, 2017 to 41 employees as of December 31, 2018 and were offset by a €0.1 million increase in share-based compensation.

### 2017 compared to 2016

Cost of revenue for the year ended December 31, 2017 increased by €1.6 million, or 37.2%, compared to the year ended December 31, 2016 mainly due to an increase in maintenance fees for servers and depreciation of €1.1 million and €0.6 million, respectively, as we continued to extend and upgrade our data center operations and continue to make investments to reach scale. Our personnel-related costs increased by €0.6 million due to an increase in headcount from 26 employees as of December 31, 2016 to 60 employees as of December 31, 2017 and were offset by a €0.6 million decrease in share-based compensation due to fluctuations in the fair value accounting treatment of awards which were classified as liability awards in the prior periods.

### Selling and marketing

Selling and marketing consists of all selling and marketing related costs and is divided into advertising expense and other selling and marketing expenses, including share-based compensation expense.

Advertising expense consists of fees that we pay for our various marketing channels like TV, out-of-home advertising, radio, search engine marketing, display and affiliate marketing, email marketing, online video, app marketing and content marketing.

Other selling and marketing expenses include research costs, production costs for our TV spots and other marketing material, as well as personnel-related expenses and share-based compensation for our marketing, sales, hotel relations and country development teams.

(in millions)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
<b>Advertising expense</b>	€ 623.5	€ 884.7	€ 732.5	41.9 %	(17.2)%
% of total revenue	82.7%	85.4%	80.1%		
<b>Other selling and marketing</b>	38.8	58.7	69.9	51.3 %	19.1 %
% of total revenue	5.1%	5.7%	7.6%		
<b>Share-based compensation</b>	10.9	3.5	3.3	(67.9)%	(5.7)%
% of total revenue	1.4%	0.3%	0.4%		
<b>Total selling and marketing expense <sup>(1)</sup></b>	€ 673.2	€ 946.9	€ 805.6	40.7 %	(14.9)%
% of total revenue	89.3%	91.5%	88.1%		

(1) Includes €1.0 million of selling and marketing expense for the year ended December 31, 2018 that was not included in our unaudited results for the fourth quarter ended December 31, 2018.

### 2018 compared to 2017

Selling and marketing expenses for the year ended December 31, 2018 decreased by €141.3 million, or 14.9%, compared to the year ended December 31, 2017, primarily due to the reductions in Advertising Spend we made starting in the second quarter of 2018. We implemented reductions in Advertising Spend across all segments, and they were reflected in reduced brand marketing expenditure and increased return on investment targets for our performance marketing campaigns. These measures resulted in a decline of €152.2 million or 17.2% in Advertising Spend for the year ended December 31, 2018 compared to the year ended December 31, 2017. In Americas and RoW, Advertising Spend development benefited from favorable movements in foreign exchange rates notably in the first half of 2018, reflecting the relative weakening of the U.S. dollar and of certain currencies in the Asian Pacific region to the euro as a smaller part of the Advertising Spend in these regions was invoiced in local currencies.

Other selling and marketing expenses for the year ended December 31, 2018 increased by €11.2 million, or 19.1%, compared to the year ended December 31, 2017, primarily driven by increases in production costs for TV advertisements and the development of new creative concepts. Personnel-related costs for the year

ended December 31, 2018 increased by €1.3 million, or 4.1%, mainly driven by an increase in social security expense resulting from an audit assessment by the German Social Security authorities in 2018 of €0.9 million, predominantly relating to prior periods. As our headcount was higher in the first two quarters of 2018 compared to the same period in 2017, compensation expense and related social security increased by €0.7 million compared to 2017, which was slightly offset by lower employee benefits by €0.9 million in the year ended December 31, 2018. We made severance payments of €0.6 million in the year ended December 31, 2018 as our headcount declined from 606 employees as of December 31, 2017 to 439 employees as of December 31, 2018, reflecting the change in our marketing strategy. Professional fees and other expenses for the year ended December 31, 2018 remained at the same level as in the year ended December 31, 2017, as the increase in our office and depreciation expense of €1.3 million was partly offset by the effect of the deconsolidation of myhotelshop. The increase in office and depreciation expense mainly resulted from the move to our new corporate headquarters in June 2018, which commenced depreciation of the building we carry on our balance sheet. Additionally, the related land rent expense was allocated across all operating expense categories since move-in. See *Note 2—Significant accounting policies*.

Share-based compensation decreased by €0.2 million, or 5.7%, in the year ended December 31, 2018 compared to the year ended December 31, 2017, mainly driven by award forfeitures partially offset by new grants during the year.

#### *2017 compared to 2016*

Selling and marketing expenses for the year ended December 31, 2017 increased by €273.7 million, or 40.7%, compared to the year ended December 31, 2016, primarily driven by overall increased Advertising Spend across all regions. Advertising spend was at elevated levels in the first half of 2017 as we reinvested additional Referral Revenue from the introduction of the relevance assessment into our marketing activities. As most of our advertisers changed their landing pages in response to the introduction of the relevance assessment at the end of the second quarter of 2017, we reduced our Advertising Spend in the second half of 2017 to account for the reduction in our commercialization; however we were initially unable to pull back planned TV Advertising Spend quickly enough to respond to the speed of the RPQR slowdown in the second half of 2017, reflecting our inability to reduce planned TV Advertising Spend due to commitments in some markets.

Other selling and marketing expenses for the year ended December 31, 2017 increased by €19.9 million, or 51.3%, compared to the year ended December 31, 2016 primarily driven by increases in production costs for TV advertisements, notably in Rest of World and Developed Europe, higher personnel-related costs and increased spending on marketing material. We also increased our headcount from 521 employees as of December 31, 2016 to 606 employees as of December 31, 2017, mainly related to employees hired for hotel sales teams to increase the acquisition of new hotels on our marketplace and expand our hotel services sales. This led to an increase in personnel-related expense of €6.1 million for the year ended December 31, 2017.

Share-based compensation decreased by €7.4 million, or 67.9%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, which was primarily driven by fluctuations in the fair value accounting treatment of liability classified awards granted in prior periods.

#### *Technology and content*

Technology and content expense consists primarily of expenses for technology development, product development and hotel search personnel and overhead, depreciation and amortization of technology assets including hardware, purchased and internally developed software and other professional fees (primarily licensing and maintenance expense), including share-based compensation expense.

(in millions)	Year Ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Personnel	€ 24.0	€ 34.0	€ 39.1	41.7 %	15.0%
Share-based compensation, net of capitalized internal use software and website development costs	15.8	3.6	5.3	(77.2)%	47.2%
Depreciation of technology assets	3.9	4.0	6.1	2.6 %	52.5%
Professional fees and other	8.0	10.6	16.4	32.5 %	54.7%
<b>Total technology and content</b>	€ 51.7	€ 52.2	€ 66.9	1.0 %	28.2%
% of total revenue	6.9%	5.0%	7.3%		

### 2018 compared to 2017

Technology and content expense for the year ended December 31, 2018 increased by €14.7 million, or 28.2%, compared to the year ended December 31, 2017, mainly due to increased professional fees and other expenses, depreciation, and personnel-related costs. Professional fees and other expenses increased by €5.8 million, or 54.7%, mostly due to a €3.1 million increase in our costs for third-party IT service providers, as we continued to invest in our platform to improve our users' experience. Depreciation and office expense for the year ended December 31, 2018 increased by €2.1 million and €1.8 million, respectively, or 52.5% and 53.0%, respectively, compared to the year ended December 31, 2017, mainly due to the move to our new corporate headquarters in June 2018, which commenced depreciation of the building we carry on our balance sheet. Also, the related land rent expense was allocated across all operating expense categories since move-in. See *Note 2—Significant accounting policies*. Additionally, Technology and content headcount was proportionally larger in 2018 than in 2017, leading to higher depreciation and office expense cost allocation. The increase in technology and content expense for the year ended December 31, 2018 was also driven by increases in personnel-related costs by €5.1 million, or 15.0%. Even though our headcount reduced from 652 employees as of December 31, 2017 to 620 employees as of December 31, 2018, our compensation expense and related social security amounts increased by €5.9 million for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first half of 2018 compared to the same period in 2017. Our personnel-related costs increased as well due to an audit assessment by the German Social Security authorities of €0.9 million in 2018, predominantly relating to prior periods. These increases were slightly offset by a higher capitalization of our developers' salaries, as well as lower employee benefits in the year ended December 31, 2018, compared to the year ended December 31, 2017. Our share-based compensation increased by €1.7 million for the year ended December 31, 2018 driven by new grants that were partly offset by forfeitures during the year.

### 2017 compared to 2016

Technology and content expense for the year ended December 31, 2017 increased by €0.5 million, or 1.0%, compared to the year ended December 31, 2016. The increase was primarily driven by increases in personnel-related costs as we grew our headcount and made investments in content expansion, which was largely offset by lower share-based compensation expense. The increase in personnel-related costs amounted to €10.0 million, or 41.7%, as we continue to make investments in product content and therefore increased our headcount from 499 employees as of December 31, 2016 to 652 employees as of December 31, 2017. This increase in personnel-related costs was largely offset by lower share-based compensation of €12.2 million, or 77.2%, which was due to the fluctuations in the fair value accounting treatment of awards which were classified as liability awards in the prior periods. Professional fees and other increased by €2.6 million, or 32.5%, as we continued to invest in projects related to visual content, hotel description and profiling to improve the quality of our product, which incurred higher website development expenses. In addition, depreciation of technology assets increased by €0.1 million, or 2.6% in the year ended December 31, 2017 compared to the year ended December 31, 2016.



### General and administrative

General and administrative expense consists primarily of professional fees for external services including legal, tax and accounting, as well as personnel-related costs including those of our executive leadership, finance, legal and human resource functions. It also includes shared services costs calculated and allocated by Expedia Group to us and other costs including other overhead costs, depreciation and share-based compensation.

(in millions)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Personnel	€ 9.8	€ 15.3	€ 19.1	56.1 %	24.8 %
Share-based compensation	26.3	8.8	12.0	(66.5)%	36.4 %
Related party shared services allocation	4.2	0.1	0.0	(97.6)%	(100.0)%
Professional fees and other	15.3	23.2	23.2	51.6 %	— %
<b>Total general and administrative</b>	€ 55.6	€ 47.4	€ 54.3	(14.7)%	14.6 %
% of total revenue	7.4%	4.6%	5.9%		

### 2018 compared to 2017

General and administrative expense for the year ended December 31, 2018 increased by €6.9 million, or 14.6%, compared to the year ended December 31, 2017, primarily due to an increase in personnel-related costs of €3.8 million, or 24.8%, and an increase in share-based compensation of €3.2 million, or 36.4%, which was mainly driven by new grants that were partly offset by forfeitures during the year. Personnel-related costs increased mostly due to an increase in compensation expense and related social security amounts of €3.1 million for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first three quarters of 2018 compared to the same periods in 2017. Our headcount decreased from 291 employees as of December 31, 2017 to 254 employees as of December 31, 2018, reflecting our effort to streamline our internal support functions. Also, our personnel-related costs increased due to an audit assessment by the German Social Security authorities of €0.3 million, predominantly relating to prior periods. Professional fees and other expenses for the year ended December 31, 2018 remained stable compared to the year ended December 31, 2017, primarily due to a decrease in losses on receivables by €1.6 million resulting mostly from an adjustment in 2018 to losses recorded in prior periods, and a decrease in office expense of €0.6 million resulting mostly from the allocation of the land rent of our new corporate headquarters across all operating expense categories since move-in, see *Note 2—Significant accounting policies*, that were offset by the €1.0 million impairment of an internal-use software in the second quarter of 2018 and an increase in our depreciation expense of €0.6 million. Our legal and financial consulting expenses decreased by €0.9 million in the year ended December 31, 2018 compared to the same period in 2017, which was offset by an increase in our audit expense.

### 2017 compared to 2016

General and administrative expense for the year ended December 31, 2017 decreased by €8.2 million, or 14.7%, compared to the year ended December 31, 2016, primarily due to a decrease of €17.5 million of share-based compensation expense mainly driven by fluctuations in the fair value accounting treatment of awards which were classified as liability awards in the prior periods. Professional fees and other for the year ended December 31, 2017 increased by €7.9 million, or 51.6% compared to the year ended December 31, 2016, mainly driven by an increase of €7.0 million in legal and consulting fees, including audit and financial consultancy fees. At the same time, legal, tax, and other service costs performed by Expedia Group on our behalf that were pushed down to us declined by €4.1 million. Personnel-related costs for the year ended December 31, 2017 increased by €5.5 million, or 56.1%, compared to the year ended December 31, 2016, primarily driven by an increase in headcount in our Human Resources and Finance departments from 187 employees as of December 31, 2016 to 291 employees as of December 31, 2017 as we continued to build

up internal expertise in these areas.

#### *Amortization of intangible assets*

Amortization of intangible assets was €1.7 million in the year ended December 31, 2018, and €3.2 million and €13.9 million in the years ended December 31, 2017 and December 31, 2016, respectively. The decreases of €1.5 million and €10.7 million for the years ended December 31, 2018 and December 31, 2017, respectively, are due to certain intangible assets that were fully amortized during the first quarter of 2017 and 2016, respectively. The amortization costs relate predominantly to intangible assets recognized by Expedia Group upon the acquisition of a majority stake in trivago GmbH in 2013. The financial statements reflect Expedia Group's basis of accounting due to this change in control in 2013.

#### *Operating loss*

Our operating loss was €19.2 million for the year ended December 31, 2018 compared to an operating loss of €20.4 million for the year ended December 31, 2017. This improvement was mainly driven by the optimization and recalibration of Advertising Spend since the second quarter of 2018 that led to a significant reduction of Selling and marketing expenses. Reductions in Cost of revenue expenses and Amortization of intangible assets further contributed to the reduction of the operating loss in the year ended December 31, 2018. These reductions were partly offset by higher Technology and content costs and an increase in General and administrative expenses.

Our operating loss was €20.4 million for the year ended December 31, 2017 compared to an operating loss of €44.4 million for the year ended December 31, 2016. We have seen our operating loss decrease when compared to the year ended December 31, 2016. Selling and marketing expenses reflected our inability to pull back planned TV Advertising Spend due to commitments in some markets. Our operating loss was impacted by a slight increase in technology and content costs and a decrease in general and administrative expenses, including lower share-based compensation primarily driven by fluctuations in the fair value accounting treatment of awards which were classified as liability awards in the prior periods and lower amortization of intangible assets.

#### *Other, net*

Other, net was €0.5 million for the year ended December 31, 2018, and €0.6 million and €(0.1) million in the years ended December 31, 2017 and December 31, 2016, respectively. Other, net is primarily driven by foreign exchange rate gains (losses) and income from ADSs offset by custodial fees related to ADS.

Foreign exchange rate losses were €0.6 million for the year ended December 31, 2018, reflecting the relative weakening of the U.S. dollar to the euro notably in the first half of 2018 and the relative weakening of certain Latin American currencies to the euro throughout the year ended December 31, 2018. Foreign exchange gains were €0.1 million and €0.0 million for the years ended December 31, 2017 and December 31, 2016, respectively.

The foreign exchange rate loss for the year ended December 31, 2018, was offset mainly by net income from ADS fees of €0.4 million, additional income from our campus canteen of €0.3 million and government subsidies for research and development activities of €0.3 million in the year ended December 31, 2018.

## Expense (benefit) for income taxes

(in millions)	Year ended December 31,			% Change	
	2016	2017	2018	2017 vs 2016	2018 vs 2017
Expense (benefit) for income taxes	€ 6.7	€ (4.8)	€ 1.1	(171.6)%	122.9%
Effective tax rate	(14.9)%	26.7%	(5.3)%		

Our effective tax rate was (5.3)% in 2018, 26.7% in 2017 and (14.9)% in 2016. This is mainly due to non-deductible share-based compensation of (pre-tax) €20.7 million in 2018, €16.0 million in 2017 and €53.7 million in 2016. Furthermore, corporate costs were pushed down from Expedia Group of (pre-tax) €0.1 million for 2017 and €4.2 million for 2016, which are non-deductible for tax purposes. No amounts were pushed down from Expedia Group in 2018. In 2018, €0.2 million and in 2017 €3.2 million is related to the recognition of previously unrecognized net operating losses. Other differences in 2018 relate to one-off items during the year, including €0.8 million relating to foreign withholding tax deductions. In 2016, €1.9 million is related to tax losses of the current year for which no deferred tax asset was recognized (valuation allowance).

### Quantitative and qualitative disclosures about market risk

Market risk is the potential loss from adverse changes in interest rates, foreign exchange rates and market prices. Our exposure to market risk includes our credit facility, cash, accounts receivable, intercompany receivables, investments and accounts payable. We manage our exposure to these risks through established policies and procedures. Our objective is to mitigate potential income statement, cash flow and market exposures from changes in interest and foreign exchange rates.

#### Interest rate risk

Because the interest rate on our credit facility is tied to a market rate, we will be susceptible to fluctuations in interest rates if, consistent with our practice to date, we do not hedge the interest rate exposure arising from any advances under our credit facility. For the years ending December 31, 2018, 2017 and 2016, we had no amounts outstanding under our credit facility. Expedia Group currently guarantees our credit facility. If Expedia Group does not continue to guarantee our credit in the future, our borrowing costs could increase.

We did not experience any significant impact from changes in interest rates for the years ended December 31, 2016, 2017 or 2018.

#### Foreign exchange risk

We conduct business in many countries throughout the world. Because we operate in markets globally, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign exchange rates. Our primary exposure to foreign currency risk relates to transacting in foreign currency and recording the activity in euro. A large portion of our advertising expenses are incurred in the local currency of the particular geographic market in which we advertise, with a significant amount incurred in U.S. dollar. The vast majority of our revenue is denominated in euro. Changes in exchange rates between the functional currency of our consolidated entities and these other currencies will result in transaction gains or losses, which we recognize in our consolidated statements of operations. Our foreign exchange risk relates primarily to the exchange rate between the U.S. dollar and the euro.

Changes in foreign exchange rates can amplify or mute changes in the underlying trends in our revenues and RPQR. Although we have relatively little direct foreign currency translation with respect to our revenue, we believe that our advertisers' decisions on the share of their booking revenues they are willing to pay to us are based on the currency in which the hotels being booked are priced. Accordingly, we have observed that advertisers tend to adjust their CPC bidding based on the relative strengthening or weakening of the euro as compared to the local functional currency in which the booking with our advertisers is denominated.

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact fluctuate in relation to the functional currency of our consolidated entities, the relative composition and denomination of current assets and liabilities for each period, and our

effectiveness at forecasting and managing, through balance sheet netting, such exposures. As an example, if the foreign currencies in which we hold net asset balances were to depreciate by 10% against the euro and other currencies in which we hold net liability balances were to appreciate by 10% against the euro, we would recognize foreign exchange losses of €0.7 million based on the net asset or liability balances of our foreign denominated cash, accounts receivable, and accounts payable balances as of December 31, 2018. As the net composition of these balances fluctuate frequently, even daily, as do foreign exchange rates, the example loss could be compounded or reduced significantly within a given period.

During the years ended December 31, 2016, 2017 and 2018, we recorded net foreign exchange rate gains (losses) of €0.0 million, €0.1 million and €(0.6) million, respectively.

#### *Concentration of credit risk*

Our business is subject to certain risks and concentrations including dependence on relationships with our advertisers, dependence on third-party technology providers, and exposure to risks associated with online commerce security. Our concentration of credit risk relates to depositors holding our cash and customers with significant accounts receivable balances.

Our customer base includes primarily OTAs, hotel chains and independent hotels. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. We generally do not require collateral or other security from our customers. Expedia Group and affiliates represented 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively, and 31%, 47% and 41% of total accounts receivable as of December 31, 2016, 2017 and 2018, respectively. Booking Holdings and its affiliates represented 43%, 44% and 39% of our revenue for the years ended December 31, 2016, 2017 and 2018, respectively, and 48%, 28% and 35% of total accounts receivable as of December 31, 2016, 2017 and 2018, respectively.

#### **Critical Accounting Policies and Estimates**

Our Operating and Financial Review is based on our consolidated financial statements and accompanying notes, which we have prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated financial statements include revenue recognition; recoverability of current and long-lived assets, intangible assets and goodwill; income; loss contingencies; redeemable non-controlling interests; acquisition purchase price allocations; and share-based compensation. There have been no material adjustments to prior period estimates for any of the periods included in this annual report.

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

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

See *Note 2—Significant accounting policies*, in the notes to our consolidated financial statements appearing elsewhere in this annual report for a description of all of our significant accounting policies. We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial condition and results of operations.

### *Revenue recognition*

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We derive our revenues from the following streams:

#### *Referral Revenue*

Revenue relates to fees earned on the display of a customer's (advertiser's) link on the trivago website on a cost-per-click (CPC) basis. Revenue from click-through fees is recorded after the traveler makes the click-through to the related advertiser's website. Control is deemed to have transferred at a point in time, being when the link or advertisement has been displayed and the click-through to the customer's website has occurred. The prices per click for an advertising campaign, which generally have a duration of one month or less, are negotiated in advance, thus, the amount to be recognized as revenue for the respective click is fixed and determinable when the performance obligation has been satisfied.

Most of our revenue is invoiced on a monthly basis after the performance obligation has been satisfied with payment terms between 10 to 90 days. For some advertisers we require prepayments.

#### *Subscription Revenue*

Revenue from subscription services is recognized ratably over the contract term, which is 12 months or less from the subscription commencement date. Customers may choose to be billed annually or monthly via SEPA or credit card. The price per subscription is fixed and determinable when the contract commences.

We consider ourselves principal in all our revenue transactions.

We do not have any unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. As permitted under ASC 606-10-55, we elected not to disclose the transaction price allocated to performance obligations expected to be satisfied in future periods.

#### *Deferred Revenue*

Deferred revenue relates to advanced payments received for services provided in future periods, primarily related to subscription services. Deferred revenue changed from €8.9 million as of December 31, 2017 to €7.9 million as of December 31, 2018. During the year ended December 31, 2018, €8.0 million were recognized as revenue that were included in the beginning deferred revenue balance as of December 31, 2017.

#### *Leases*

We lease office space in several countries under non-cancellable lease agreements. We generally lease our office facilities under operating lease agreements. We recognize rent expense on a straight-line basis over the lease period. Any lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. The lease term begins on the date we become legally obligated for the rent payments or when we take possession of the office space, whichever is earlier. Additionally we have entered into subleases for unoccupied leased office space. We recognize sublease payments on a straight-line basis over the term of the sublease.

We establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent that we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease.

The contractual lease agreement for our new campus in Düsseldorf triggered build-to-suit treatment under U.S. GAAP during the construction period of both buildings. We moved into the first building in June 2018, at which point it was determined that the sale-leaseback guidance was not met, resulting in our accounting for the lease as a financing obligation. We have bifurcated our lease payments relating to the premises into a portion that is allocated to the building (a reduction of the financing obligation) and a portion that is allocated to the land on which the building was constructed. The portion of the lease obligations allocated to the land

is treated as an operating lease that commenced in July 2015. For the years ended December 31, 2016, 2017 and 2018, we have recorded €1.7 million, €1.7 million and €1.8 million respectively, of land rent expense in connection with this lease. Until our move-in in June 2018, our non-cash land expense was entirely classified as general and administrative expense. Since our move, we have been allocating these expenses to all of our operating costs. Depreciation on the building commenced upon construction completion, resulting in €1.6 million of depreciation expense for the year ended December 31, 2018, of which the majority is recorded as technology and content expense. The second building relating to our campus remains under construction at December 31, 2018 and is accounted for as a build-to-suit. Upon adoption of ASU 2016-02, this second building is expected to be derecognized from our balance sheet.

Under the new lease accounting standard that the company will be adopting on January 1, 2019, we have to estimate the Incremental Borrowing Rate (IBR) to use as the discount rate for initial measurement of the operating lease liability and the related right-of-use asset. Estimating the IBR requires assessing a number of inputs, including an estimated synthetic credit rating, collateral adjustments and interest rates. Whilst the IBR is only subsequently modified if the lease term changes or if the lease is modified, the impact of adoption of the lease standard, as disclosed in *Note 2—Significant accounting policies*, Adoption of new accounting pronouncements, was subject to judgments made regarding the assumptions used.

#### *Recoverability of goodwill and indefinite-lived intangible assets*

Goodwill is assigned to our three reporting units, which correspond to our three operating segments, on the basis of their relative fair values as of the date of change in reporting units. We assess goodwill and indefinite-lived assets, neither of which are amortized, for impairment annually in the fourth quarter of the year, or more frequently, if events and circumstances indicate that an impairment may have occurred. In the evaluation of goodwill for impairment, we typically first perform a qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount, followed by performing a quantitative assessment by comparing the fair value of the reporting unit to the carrying value, if necessary. Effective October 1, 2017, we prospectively adopted accounting guidance that simplified our goodwill impairment testing by eliminating the requirement to calculate the implied fair value of goodwill (formerly "Step 2") in the event an impairment is identified. Instead, an impairment charge is recorded based on the excess of the reporting unit's carrying amount over its fair value.

We generally base the measurement of fair value of our three reporting units on a blended analysis of the present value of future discounted cash flows and market valuation approach. The discounted cash flows model indicates the fair value of the reporting unit based on the present value of the cash flows that we expect the reporting unit to generate in the future. Our significant estimates in the discounted cash flows model include our weighted average cost of capital, long-term rate of growth and profitability of our business. The market valuation approach indicates the fair value of the business based on a comparison of the reporting unit to comparable publicly traded firms in similar lines of business. Our significant estimates in the market approach model include identifying similar companies with comparable business factors, such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting unit.

We believe the weighted use of discounted cash flows and market approach is the best method for determining the fair value of our reporting units because these are the most common valuation methodologies used within the travel and Internet industries; and the blended use of both models compensates for the inherent risks associated with either model if used on a stand-alone basis.

In addition to measuring the fair value of our reporting units as described above, we consider the combined fair values of our reporting units in relation to the company's total fair value.

In our evaluation of our indefinite-lived intangible assets, we typically first perform a qualitative assessment to determine whether the fair value of the indefinite-lived intangible assets is more likely than not impaired. If so, we perform a quantitative assessment and an impairment charge is recorded for the excess of the carrying value of the indefinite-lived intangible assets over the fair value. We base our measurement of the fair value of our indefinite-lived intangible assets, which consist of trade name, trademarks, and domain names using the relief-from-royalty method. This method assumes that the trade name and trademarks have

value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. As with goodwill, periodically, we may choose to forgo the initial qualitative assessment and perform a quantitative analysis in our annual evaluation of indefinite-lived intangible assets.

#### *Recoverability of intangible assets with definite lives and other long-lived assets*

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of generally less than seven years. We review the carrying value of long-lived assets or asset groups, including property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

#### *Income taxes*

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

We account for uncertain tax positions based on a two-step process of evaluating recognition and measurement criteria. The first step assesses whether the tax position is more likely than not to be sustained upon examination by the tax authority, including resolution of any appeals or litigation, based on the technical merits of the position. If the tax position meets the more likely than not criteria, the portion of the tax benefit greater than 50% likely to be realized upon settlement with the tax authority is recognized in the financial statements. Interest and penalties related to uncertain tax positions are classified in the financial statements as a component of income tax expense.

#### *Advertising expense*

We incur advertising expense consisting of offline costs, including television and radio advertising, as well as online advertising expense to promote our brands. A significant portion of traffic from users is directed to our websites through our participation in display advertising campaigns on search engines, advertising networks, affiliate websites and social networking sites. We consider traffic acquisition costs to be indirect advertising fees. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. We expense the costs of communicating the advertisement (e.g., television airtime) as incurred each time the advertisement is shown. These costs are included in selling and marketing expense in our consolidated statements of operations. For the years ended December 31, 2016, 2017 and 2018, our advertising expense was €623.5 million, €884.7 million and €732.5 million, respectively.

As of December 31, 2017 and 2018, we had €12.6 million and €6.3 million, respectively, of prepaid marketing expenses included in prepaid expenses and other current assets.

#### *Share-based compensation*

Share-based compensation included in our consolidated financial statements relates to certain outstanding trivago employee options replaced with new trivago employee option awards exercisable into trivago Class A shares, in connection with the controlling-interest acquisition of trivago by the Expedia Group (formerly Expedia, Inc.) in 2013. During 2017 and 2018, there were additional awards granted in connection with the Omnibus Incentive Plan to employees of trivago.

The fair value of share options accounted for as equity settled transactions is measured at the grant date using the Black-Scholes option pricing model. The valuation model incorporates various assumptions including expected volatility of equity, expected term and risk-free interest rates. As we do not have a trading history relatable to the expected term of our awards, the expected share price volatility for our Class A shares was estimated by taking the median historic price volatility for industry peers based on daily price observations over a period commensurate to the expected term. Prior to the IPO, we previously based our expected term assumptions on the terms and conditions of the employee share option agreements, and scheduled exercise windows. Post-IPO, we have used the simplified method in determining the term by using the midpoint between the vesting date and the end of the contractual term to estimate the term for all option grants subsequent of the IPO. The simplified method was used as we do not have sufficient relatable historical term data available. Prior to the IPO, the share price assumption used in the model is based upon a valuation of trivago's shares as of the grant date utilizing a blended analysis of the present value of future discounted cash flows and a market valuation approach. Subsequent to the IPO, the share price assumption used in the model is based on our publicly traded share price on the date of grant. We amortize the fair value to the extent the awards qualify for equity treatment, over the vesting term on a straight-line basis. The majority of our share options are service-based awards which vest between one and three years and have contractual terms that align with prescribed liquidation windows.

We have performance-based share options which vest upon achievement of certain company-based performance conditions and service conditions. On the date of grant, we determine the fair value of the performance-based award using the Black-Scholes option pricing model. The awards are then assessed to determine the probability of the award vesting. If assessed as probable, we record compensation expense for these awards over the total performance and service period using the accelerated method. At each reporting period, we reassess the probability of achieving the performance targets, which requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets. As at December 31, 2018, there were no awards remaining subject to a performance target condition to be determined in a future period.

In 2018, Restricted Stock Units (RSUs), which are stock awards entitling the holder to shares of common stock as the award vests, were granted. The RSUs are service-based awards which vest between one and three years. We measure the value of RSUs at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value, net of actual forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis.

Prior to the IPO, we classified certain employee option awards as liabilities when we deemed it not probable that the employees holding the awards would bear the risks and rewards of stock ownership for a reasonable period of time. We remeasured these instruments at fair value at the end of each reporting period using a Black-Scholes option pricing model which relied upon an estimate of the fair value of trivago's shares as of the reporting date which was determined using a blended approach as discussed above. Upon settlement of these awards, our total share-based compensation expense recorded from grant date to settlement date was equal the settlement amount. Upon the IPO, all liability classified awards were reclassified to equity



settled awards. For the years ended December 31, 2017 and 2018, we had no option awards classified as liabilities.

We recognize the effect of forfeitures in the period that the award was forfeited.

## B. Liquidity and capital resources

On September 5, 2014, we entered into an uncommitted credit facility with Bank of America Merrill Lynch International Ltd. with a maximum principal amount of €10.0 million. Advances under this facility bear interest a rate of LIBOR, floored at zero, plus 1.0% *per annum*. This facility may be terminated at any time by the lender. Our obligations under this facility are guaranteed by Expedia Group. On December 19, 2014, we entered into an amendment to this facility pursuant to which the maximum principal amount was increased to €50.0 million. During the year ended December 31, 2016, we utilized €20.0 million under our credit facility and subsequently repaid all obligations outstanding. We did not utilize the credit facility during the years ended December 31, 2017 and 2018.

On July 23, 2015, we entered into an agreement to design and build our new headquarters in Düsseldorf, Germany. As part of that agreement, Expedia Group had guaranteed certain payments due by trivago. The guarantee by Expedia Group ended upon receipt of a bank guarantee for €2 million by trivago, which we obtained in July 2017.

For the year ended December 31, 2018, cash and cash equivalent decreased by €28.6 million to €164.3 million. The decrease was mainly driven by a negative cash flow from investing activities, which primarily related to the new campus building, and a negative cash flow from operating activities mainly resulting from changes in operating assets and liabilities as discussed in more detail below.

Our known material liquidity needs for periods beyond the next twelve months are described below in “*Item 5 F. Tabular disclosure of contractual obligations.*” We believe that our cash from operations, together with our credit facility and cash balance are sufficient to meet our ongoing capital expenditures, working capital requirements and other capital needs for at least the next twelve months.

The following table summarizes our cash flows for the years ended December 31, 2016, 2017 and 2018:

(in millions)	Year Ended December 31,		
	2016	2017	2018
Cash flows provided by/(used in) operating activities	€ 31.3	€ (8.5)	€ (4.6)
Cash flows used in investing activities	(9.0)	(18.3)	(24.1)
Cash flows provided by/(used in) financing activities	187.6	(7.2)	0.2

### **Cash Flows Provided by/(Used in) Operating Activities**

For the year ended December 31, 2018, net cash used in operating activities decreased by €3.9 million to €(4.6) million. In the year ended December 31, 2018 net cash used in operating activities was mainly driven by changes in operating assets and liabilities, offset by positive effects from net income excluding non-cash expenses. Changes in operating assets and liabilities resulted in a decrease in cash and cash equivalents of €18.3 million primarily due to increased accounts receivable and declining accounts payable. Accounts receivable increased by €12.5 million, of which €0.6 million were related party receivables, as of December 31, 2018 compared to December 31, 2017, mainly due to delayed payments from advertisers. Accounts payable decreased by €17.7 million as of December 31, 2018 compared to December 31, 2017, primarily due to the decline in Advertising Spend, which decreased from €149.7 million in the fourth quarter of 2017 to €100.9 million in the fourth quarter of 2018.

For the year ended December 31, 2017, net cash used in operating activities increased by €39.8 million to to €(8.5) million. This negative cash flow from operating activities was primarily driven by a change from a working capital benefit in 2016 into a working capital deficit in 2017 and decreased share-based

compensation, due to a one-time call option exercised by Expedia Group in 2016. The working capital deficit was mainly driven by a standardization of related party payment terms, which delayed our receipt of related party revenue until after month-end close, resulting in increased accounts receivables.

For the year ended December 31, 2016, net cash provided by operating activities increased by €32.2 million to €31.3 million of cash provided. This was primarily due to an increase in operating income (after adjusting for impacts of depreciation and amortization of €13.7 million) from 2015 to 2016 and a change from a working capital deficit in 2015 to a working capital benefit in 2016.

#### **Cash Flows Used in Investing Activities**

For the year ended December 31, 2018, cash used in investing activities increased by €5.8 million to €(24.1) million, primarily due to increased capital expenditures including internal-use software and website development.

For the year ended December 31, 2017, cash used in investing activities increased by €9.3 million to €(18.3) million, primarily due to increased capital expenditures including internal-use software and website development and the acquisition of tripl GmbH for €0.7 million.

For the year ended December 31, 2016, cash used in investing activities increased by €2.5 million to €(9.0) million, primarily due to increased capital expenditures including internal-use software and website development and the acquisition of the base7 minority interest for €0.9 million.

#### **Cash Flows Provided by/(Used in) Financing Activities**

For the year ended December 31, 2018, cash used in financing activities decreased by €7.4 million to cash provided by financing activities of €0.2 million resulting from net proceeds from issuance of common stock.

For the year ended December 31, 2017, cash used in financing activities increased by €194.9 million to €7.2 million of cash used. This was driven primarily by one-time IPO net proceeds in 2016 of €207.8 million, partially offset by a €20.0 million net payment on the credit facility during the year ended December 31, 2016. The negative cash flow from financing activities in 2017 was primarily due to payments of IPO costs of €4.0 million and tax payments for shares withheld of €3.1 million.

For the year ended December 31, 2016, cash provided by financing activities increased by €168.7 million to €187.6 million. This was driven primarily by IPO net proceeds of €207.8 million, and a €20.0 million draw down on the credit facility during the year ended December 31, 2015 compared to a €20.0 million net payment on the credit facility during the year ended December 31, 2016.

#### **C. Research and development expenses, patents and licenses, etc.**

See “Item 4 B. Business overview.”

#### **D. Trend information**

See “Item 5 A. Operating results.”

#### **E. Off-balance sheet arrangements**

Other than the items described below under “—Tabular disclosure of contractual obligations,” as of December 31, 2018, we do not have any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

## F. Tabular disclosure of contractual obligations

The following table summarizes our contractual obligations as of December 31, 2018:

(in millions)	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	More than 5 years
Lease obligations <sup>(1)(2)</sup>	€76.9	€10.4	€18.3	€16.2	€32.0
Purchase obligations <sup>(3)</sup>	19.8	19.8	0.0	0.0	0.0
<b>Total</b>	<b>€96.7</b>	<b>€30.2</b>	<b>€18.3</b>	<b>€16.2</b>	<b>€32.0</b>

(1) Lease obligations include estimated future minimum rental payments under operating leases with non-cancelable lease terms and financing obligations under the failed sale-leaseback of our corporate headquarters. The lease obligations have not been reduced by minimum sublease rental income of €1.9 million due in the future under non-cancelable sublease agreements for unoccupied leased office space.

(2) Currently recognized on our balance sheet as of December 31, 2018 is an asset retirement obligation of €0.6 million related to our main headquarters located in Düsseldorf, Germany. We have certain operating lease agreements that require us to decommission physical space for which we have not yet recorded an asset retirement obligation. Due to the uncertainty of specific decommissioning obligations, timing and related costs, we cannot reasonably estimate an asset retirement obligation for these properties and we have not recorded a liability at this time for such properties.

(3) Our purchase obligations represent the minimum obligations we have under agreements with certain of our vendors and marketing partners. These minimum obligations are less than our projected use for those periods. Payments may be more than the minimum obligations based on actual use.

## G. Safe Harbor

See “Special note regarding forward-looking statements.”

## H. Non-GAAP financial measures

See “Item 3 A. Selected financial data” for a description of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss.

## Item 6: Directors, senior management and employees

### A. Directors and senior management

#### *Members of our management board and supervisory board*

The following tables present information about our management board members and our supervisory board members including their ages and position as of the date of this annual report. The current business addresses for the members of our management and supervisory boards is c/o trivago N.V., Kesselstrasse 5 - 7, 40221 Düsseldorf, Germany.

#### *Management board*

<b>Name</b>	<b>Age</b>	<b>Position</b>
Axel Hefer	41	Managing Director for Finance, Legal, International, Marketing and Marketplace (chief financial officer)
Rolf Schrömgens	42	Managing Director for Product, People and Culture (chief executive officer)
Johannes Thomas	31	Managing Director for Advertiser Relations

The following paragraphs set forth biographical information regarding our management board members.

**Axel Hefer** was initially appointed as a managing director of the company in 2016 and served as a managing director of trivago GmbH from 2016 until our cross-border merger. He also serves as a non-executive director of Spark Networks SE. Prior to joining trivago GmbH, Mr. Hefer was CFO and COO of Home24 AG, an online home furniture and decor company, and managing director of One Equity Partners, the former Private Equity Division of J.P. Morgan Chase. Mr. Hefer holds a diploma in management from Leipzig Graduate School of Management (HHL) and an M.B.A. from INSEAD.

**Rolf Schrömgens** was initially appointed as a managing director of the company in 2016 and served as a managing director of trivago GmbH from 2005 until our cross-border merger. Prior to joining trivago GmbH, Mr. Schrömgens was founder and VP at ciao.com, a consumer review website, from 1999 to 2001. Mr. Schrömgens holds a diploma in management from Leipzig Graduate School of Management (HHL).

**Johannes Thomas** was initially appointed as a managing director of the company in 2016. He joined trivago GmbH in 2011 as Global Head of SEM and served as a managing director of trivago GmbH from 2015 until our cross-border merger. Before joining trivago GmbH, Mr. Thomas worked as a Marketing Executive at isango! (TUI today), a website for booking travel experiences from 2009 to 2010. He later founded his own company, which operated travel sites in Germany, Italy and Spain.

#### *Changes to our management board in 2018*

On June 8, 2018, our general meeting reappointed Axel Hefer, Rolf Schrömgens and Johannes Thomas to our management board, each for a term of one year, except for Mr. Hefer who has been reappointed for a term of five years. Our general meeting of shareholders did not reappoint Andrej Lehnert, Malte Siewert and Peter Vinnemeier as members of our management board.

## Supervisory board

Name	Age	Year of appointment	Expiration of current term
Robert Dzielak	48	2018	2021
Peter M. Kern	51	2016	2019
Hiren Mankodi*	45	*	*
Frédéric Mazzella	42	2016	2019
Mark D. Okerstrom	46	2016	2019
Niklas Östberg	38	2016	2019
David Schneider	36	2016	2019

\*On July 23, 2018, Hiren Mankodi was designated as temporary member of our supervisory board, pending his appointment by our general meeting of shareholders in June 2019. For more information, see "—Changes to our supervisory board in 2018" below.

The following is a brief summary of the business experience of our supervisory board members.

**Robert J. Dzielak** has served as Expedia Group's Chief Legal Officer and Secretary since March 2018, previously serving as its Executive Vice President, General Counsel and Secretary since April 2012. Mr. Dzielak had previously served as Senior Vice President and acting General Counsel since October 2011. Since joining the Company as Assistant General Counsel in April 2006 and through his service as Vice President and Associate General Counsel between February 2007 and October 2011, Mr. Dzielak held primary responsibility for the worldwide litigation portfolio of the Company and its brands. Prior to joining Expedia Group, Mr. Dzielak was a partner at the law firm of Preston, Gates and Ellis, LLP (now K&L Gates LLP), where his practice focused on commercial and intellectual property litigation. Mr. Dzielak received his J.D. from The John Marshall Law School. Mr. Dzielak is currently a member of the Supervisory Board of trivago N.V.

**Peter M. Kern** has been a director of Expedia Group since completion of the IAC/Expedia Spin-Off and has served as Vice Chairman of Expedia Group since June 2018. Mr. Kern is a Managing Partner of InterMedia Partners VII, LP, a private equity firm. Prior to joining InterMedia, Mr. Kern was Senior Managing Director and Principal of Alpine Capital LLC. Prior to Alpine Capital, Mr. Kern founded Gemini Associates in 1996 and served as President from its inception through its merger with Alpine Capital in 2001. Prior to founding Gemini Associates, Mr. Kern was at the Home Shopping Network and Whittle Communications. Mr. Kern has served on the Board of Directors of Tribune Media Company since October 2016, where he currently also serves as Chief Executive Officer, as Chairman of the Board of Directors of Hemisphere Media Group, Inc., a publicly-traded Spanish-language media company, since April 2013, and since 2016, as a member of supervisory board of trivago, N.V., a majority-owned subsidiary of Expedia Group. Mr. Kern also serves on the boards of several of private companies. Mr. Kern holds a B.S. degree from the Wharton School at the University of Pennsylvania.

**Hiren Mankodi** currently serves as Managing Director for Charlesbank Capital Partners, leading the firm's technology investing efforts. Previously he was as a co-founding partner at Pamplona TMT, a private equity firm focusing on the technology, media and telecom private equity sector. Prior to that, he was a Managing Director at Audax Private Equity where he led the firm's technology investing efforts. He has over 18 years of private equity and venture capital investing experience, including investments in the enterprise software, infrastructure software, digital media, healthcare IT, technology-enabled services, and industrial technology sectors.

**Frédéric Mazzella** has been the Founder and Chairman of Comuto S.A. (BlaBlaCar) since 2006 and was Chief Executive Officer from 2006 to 2016. In 2018, Mr. Mazzella was also elected Co-President of France Digitale, the largest startup association in Europe representing 1,300 startups. Mr. Mazzella holds an M.B.A. from INSEAD, a Master's degree in computer science from Stanford University and a Master's degree in physics from École Normale Supérieure.

**Mark D. Okerstrom** has served as Expedia Group's President and Chief Executive Officer and as a director of Expedia Group since August 2017. Previously, he served as Expedia Group's Chief Financial Officer and Executive Vice President of Operations from October 2014 until August 2017, Chief Financial Officer and Executive Vice President from September 2011 until October 2014, Secretary from October 2011 until April 2012, and Senior Vice President of Corporate Development from February 2009 to September 2011. Having joined Expedia Group in October 2006, Mr. Okerstrom previously served as Vice President, Corporate Development and as Senior Director, Corporate Development. Prior to joining Expedia Group, Mr. Okerstrom was a consultant with Bain & Company in Boston and San Francisco, and worked with UBS Investment Bank in London. Prior to that, Mr. Okerstrom practiced as an attorney with the global law firm of Freshfields Bruckhaus Deringer in London. Mr. Okerstrom holds an M.B.A. from Harvard Business School and a law degree from the University of British Columbia. Mr. Okerstrom is currently chairman of the supervisory board of trivago N.V., a majority-owned subsidiary of Expedia Group.

**Niklas Östberg** is the co-founder of Delivery Hero SE and has served as its Chief Executive Officer since May 2011. He also served as director of the board until its public offering in July 2017. Prior to this, Mr. Östberg was co-founder and chairman of the board of Online Pizza Norden AB from 2008 and May 2011. Mr. Östberg holds a Master's degree from the Royal Institute of Technology in Stockholm, Sweden.

**David Schneider** has served as a director of Zalando SE since 2008. He also serves as a director or limited partner of several Zalando subsidiaries and private investment vehicles. Mr. Schneider holds a Master's degree in Business Administration from WHU-Otto-Beisheim School of Management in Vallendar, Germany.

#### *Agreements regarding the supervisory board and the management board*

Members of our supervisory board and members of our management board have been appointed pursuant to the terms of Amended and Restated Shareholders' Agreement. See "Item 6 C. Board practices" and "Item 7 B. Related party transactions".

#### *Changes to our supervisory board in 2018*

On July 23, 2018, the supervisory board accepted the resignations of Mieke De Schlepper as a member of our supervisory board and of Peter Kern as chairman of our Audit Committee. Mr. Kern remained a member of our supervisory board. On the same day, our supervisory board designated Hiren Mankodi as temporary member of supervisory board and chairman of our Audit Committee. Mr. Mankodi's designation is pending his appointment by our general meeting of shareholders in June 2019. Upon his designation as temporary member of the supervisory board, Mr. Mankodi had all powers and responsibilities of a supervisory board member, as if he had been appointed by the general meeting of shareholders. On June 8, 2018, Robert Dzielak was appointed as a member of the supervisory board after initially being designated as a temporary member of the supervisory board in 2017.

## **B. Compensation**

### ***Compensation of members of our management board and supervisory board***

The amount of compensation, including benefits in kind, accrued or paid to our management board members with respect to the year ended December 31, 2018 is described in the tables below. Our management board received the following cash compensation with respect to service in the fiscal year 2018:

<b>(in thousands)</b>	<b>Hefer</b>	<b>Lehnert<sup>(1)</sup></b>	<b>Schrömgens</b>	<b>Siewert<sup>(1)</sup></b>	<b>Thomas</b>	<b>Vinnemeier<sup>(1)</sup></b>
Periodically-paid remuneration	€240	€105	€240	€105	€240	€105
Bonuses	€162	—	—	—	€135	—
Profit Participation	—	—	—	—	—	—
<b>Total cash compensation</b>	<b>€402</b>	<b>€105</b>	<b>€240</b>	<b>€105</b>	<b>€375</b>	<b>€105</b>

*(1) Messrs. Lehnert, Siewert and Vinnemeier were not reappointed as members of the management board at our general meeting of shareholders that was held on June 8, 2018. Mr. Lehnert's salary is prorated for the portion of the year he served as a managing director.*

In each case, our management board met the objectives set forth as a condition for the awarding of the respective bonus paid to them. In 2018, Rolf Schrömgens waived his cash bonus, and the supervisory board awarded Messrs. Hefer and Thomas an all-cash performance bonus, included in the bonus amounts in the table above. As of December 31, 2018, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our management board members. In 2018, Johannes Thomas exercised options at a strike price of €0.06 to receive 50,000 ADSs.

Our management board held the following options (both vested and unvested) as of December 31, 2018:

<b>Beneficiary</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Number of options outstanding<sup>(1)</sup></b>	<b>Strike price</b>	<b>Expiration Date<sup>(2)</sup></b>
<b>Hefer</b>	Sept. 23, 2016	May 1, 2017, 2018, 2019	63,830	€0.12	None
	Sept. 23, 2016	May 1, 2017, 2018, 2019	153,192	€11.75	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	600,000	\$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	\$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	1,276,000	\$7.17	Dec. 20, 2024
	Dec. 20, 2017	Jul. 2, 2020, Jan. 2, 2023	1,500,000	\$7.17	Dec. 20, 2024
<b>Schrömgens</b>	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	\$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	\$7.17	Mar. 6, 2024
<b>Thomas</b>	March 18, 2014	June 7, 2015, 2017	170,213	€2.11	None
	May 15, 2015	March 8, 2016, 2017, 2018	110,639	€2.11	None
	May 15, 2015	July 31, 2017	86,948	€0.06	None
	July 16, 2015	July 16, 2015	25,678	€0.06	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	\$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	\$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	476,000	\$7.17	Dec. 20, 2024

(1) As described further in this report, share options granted before our IPO are calculated by converting options relating to units of trivago GmbH into options relating to shares of trivago N.V. by using the following conversion method (simplified): numbers of options were multiplied by the multiplier ratio 8,510.66824 used for purposes of our IPO. In case of trivago GmbH class B options, the result was divided by 1,000. Holders of trivago GmbH class A options with a former strike price of € 1.00 received certain a portion of trivago N.V. options in addition as compensation for the requirement of a higher strike price for trivago N.V. options due to corporate law requirements. In case the numbers relate to the time before the completion of our IPO, they are for illustrative purposes only and calculated using the method described above, as the actual option grants and exercises took place on the trivago GmbH level. Minor deviations can occur due to rounding.

(2) Unvested options lapse when the beneficiary leaves the Company.

The amount of compensation, including benefits in kind, accrued or paid to our supervisory board members with respect to the year ended December 31, 2018 is described in the tables below. Our supervisory board received the following cash compensation with respect to service in the fiscal year 2018:

(\$ in thousands)	Kern	Mazzella	Mankodi <sup>(1)</sup>	Östberg	Schneider
Periodically-paid remuneration	45	45	20	45	45
Bonuses	—	—	—	—	—
Profit Participation	—	—	—	—	—
<b>Total cash compensation</b>	<b>45</b>	<b>45</b>	<b>20</b>	<b>45</b>	<b>45</b>

(1) On July 23, 2018, our supervisory board designated Hiren Mankodi as temporary member of supervisory board and chairman of our Audit Committee. His designation is pending his appointment by our general meeting of shareholders in June 2019.

Mr. Dzielak and Mr. Okerstrom were not provided with any compensation for their service on our supervisory board for the year ended December 31, 2018.

Our supervisory board held the following options (both vested and unvested) as of December 31, 2018:

Beneficiary	Grant date	Vesting date	Number of options outstanding	Strike price (in \$)	Expiration Date
<b>Dzielak</b>	—	—	—	—	—
<b>Kern</b>	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	74,135	12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	125,520	7.17	Dec. 20, 2024
<b>Mankodi</b>	Aug. 17, 2018	Jul. 2, 2019, 2020, 2021	90,408	4.42	Aug. 17, 2025
<b>Mazzella</b>	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	65,898	12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	111,576	7.17	Dec. 20, 2024
<b>Okerstrom</b>	—	—	—	—	—
<b>Östberg</b>	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	70,840	12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	119,944	7.17	Dec. 20, 2024
<b>Schneider</b>	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	70,840	12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	119,944	7.17	Dec. 20, 2024

As of December 31, 2018, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our supervisory board members. In the year 2018, none of our supervisory board member exercised any options in trivago N.V.



### **2016 Omnibus incentive plan**

In connection with our IPO, we established the trivago N.V. 2016 Omnibus Incentive Plan, which we refer to as the 2016 Plan, with the purpose of giving us a competitive advantage in attracting, retaining and motivating officers, employees, directors who are members of the management board and/or consultants by providing them incentives directly linked to shareholder value. The maximum number of Class A shares available for issuance under the 2016 Plan shall be 34,711,009 Class A shares. Class A shares issuable under the 2016 Plan will be represented by ADSs for such Class A shares. The 2016 Plan was amended on March 6, 2017 to permit the delegation of certain responsibilities to the management board.

*Plan administration.* The 2016 Plan is administered by a committee of at least two members of our supervisory board, which we refer to as the plan committee. The plan committee must approve all awards to directors. Our management board may approve awards to eligible recipients other than directors, subject to annual aggregate and individual limits as may be agreed with the supervisory board. Subject to applicable law or the listing standards of the applicable exchange, the plan committee may delegate to other appropriate persons the authority to grant equity awards under the 2016 Plan to our eligible award recipients.

*Eligibility.* Management board members, supervisory board members, officers, employees and consultants of the company or any of our subsidiaries or affiliates, and any prospective directors, officers, employees and consultants of the company who have accepted offers of employment or consultancy from the company or our subsidiaries or affiliates are eligible for awards under the 2016 Plan.

*Awards.* Awards include options, share appreciation rights, restricted share units and other share-based and cash-based awards. Awards may be settled in stock or cash. The option exercise price for options granted to members of the management board and the supervisory board under the 2016 Plan for management board members shall not be less than the fair market value of a Class A share as defined in the 2016 Plan on the relevant grant date, unless otherwise approved by shareholders at a general meeting. The option exercise price for options under the 2016 Plan for other eligible individuals can be less than the fair market value of a Class A share as defined in the 2016 Plan on the relevant grant date. To the extent that listing standards of the applicable exchange require the company's shareholders to approve any repricing of options, options may not be repriced without shareholder approval.

*Vesting period.* Options and share appreciation rights shall vest and become exercisable at such time and pursuant to such conditions as determined by the plan committee and as may be specified in an individual grant agreement. The plan committee may at any time accelerate the exercisability of any option or share appreciation right. Restricted shares may vest based on continued service, attainment of performance goals or both continued service and performance goals. The plan committee at any time may waive any of these vesting conditions.

*Term.* Options and share appreciation rights will have a term of not more than ten years. The 2016 Plan will also have a ten year term, although awards outstanding on the date the 2016 Plan terminates will not be affected by the termination of the 2016 Plan.

### **Compensation principles**

#### *Senior management*

The primary objective of our senior management's compensation program is to attract, motivate, reward and retain the managerial talent needed to achieve our business objectives. In addition, compensation arrangements for our senior management have been designed to align a portion of their compensation with the achievement of our business objectives and strategy. Bonus payments for our senior management are determined with respect to a given year based on quantitative and qualitative goals set for our company, as well as on an individual basis. Once the results of the year are known, bonus payments and any equity award compensation are determined at the discretion of our board and, with respect to senior management reporting to the CEO, considering recommendations made by the CEO.

## *Employees*

We believe in cultivating an inspiring environment where our employees can thrive and feel empowered to do their best. Our aim is to attract intrinsically motivated individuals, and nurture and retain the most capable and driven of them to support our culture of learning, authenticity and entrepreneurship.

Our remuneration policy is designed to attract and retain employees, and reward them for achieving our goals and objectives as a business, and working productively together based on the “core values” (see above “*Item 4 B. Business overview—Our employees and culture*”)

We use an individualized approach to compensation that reflects the value contribution of each employee to our organization. We believe that employees who contribute significantly to our success should receive increased compensation and measures should be taken to retain them, for example through the award of stock options. The unique context of the position profile - in particular in relation to similar roles both at trivago and externally - as well as the scope of responsibilities taken on by that employee are other important factors for the development of employee compensation.

Salaried employees are rewarded on a total rewards basis, which includes fixed income and long-term incentive awards, such as stock options. Compensation is awarded on a fixed rather than variable basis in order to emphasize intrinsic (rather than extrinsic) motivation. We aim to ensure that each employee's compensation is fair and is aligned to the scope and breadth of his or her activities as well as to the value that person creates. At trivago, we review our compensation decisions on a yearly basis. We believe that fairness is created by analyzing compensation at one point in time for all our employees. Rather than negotiating salary increases, we aim to run a fair, objective and merit-based process for compensation decisions.

### *Short-term remuneration policy*

An important component of our remuneration policy is the use of the short-term incentive remuneration, which supports our results-focused culture and the engagement of our employees. We believe in making appropriate and meaningful distinctions in recognizing and rewarding our employees' performance. We complement the base compensation of our employees by offering ad-hoc bonuses (rewarded by a responsibility lead for creating extraordinary value) and peer bonuses (a special and unexpected thanks for extraordinary efforts, awarded by other employees). We believe it is essential that these incentives are not expected by our employees as part of their compensation and that they are awarded only after the performance of extraordinary work.

## **C. Board practices**

### ***Management board and supervisory board***

We have a two-tier board structure consisting of our management board (*bestuur*) and a separate supervisory board (*raad van commissarissen*). Each management board and supervisory board member owes a duty to us to properly perform the duties assigned to him or her and to act in our corporate interest. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers and suppliers.

#### *Management board*

Our management board is responsible for the day-to-day management of our company, subject to certain limitations as set out in the articles of association and the internal rules of our management board (which we refer to as the Management Board Rules), and for our strategy, policy and operations subject to the Amended and Restated Shareholders' Agreement and under the supervision of our supervisory board.

Our management board is required to keep our supervisory board informed, and to consult with our supervisory board, on important matters and to submit certain important decisions to our supervisory board for its approval as set out below. Except as agreed in our annual business plan, which is subject to the approval of our supervisory board, prior to entering into the following transactions or making the following

decisions with respect to the company or any subsidiary, our management board shall obtain the prior consent of the supervisory board:

1. sale, transfer, lease (as lessor or in respect of real property) or other disposition of assets (including equity interests in a subsidiary) other than such sales, transfers, leases or other dispositions with a value for accounting purposes (i) less than \$1,000,000, or (ii) between \$1,000,000 and \$10,000,000 except to the extent prior notice is provided to Expedia Group and such sale, transfer, lease or other disposition would be permitted under Expedia Group's credit facilities; or any merger of, or sale of all or substantially all of the assets of, any subsidiary (except to the extent prior notice is provided to Expedia Group and such merger or sale is permitted under Expedia Group's credit facilities);
2. liquidating or dissolving the company or any subsidiary;
3. granting loans, payment guarantees (*Bürgschaften*), indemnities, or incurring other liabilities to third parties outside the ordinary course of business in excess of €10,000,000;
4. taking out loans, borrowings or other debt (or providing any guarantee of such obligations of any other person or entity) or granting any liens other than liens securing the foregoing, which permitted debt and liens at any time outstanding exceed €25,000,000;
5. entering into joint-venture, partnership and/or similar agreements which cannot be terminated without penalty within (i) three years and which could result in the company or any subsidiary being liable for the obligations of a third party, (ii) five years, or (iii) agreements pursuant to Article 7.1(h) of the Amended and Restated Shareholders' Agreement;
6. entering into non-compete or exclusivity agreements or other agreements that restrict the freedom of the business and which agreements are terminable later than two years after having been entered into;
7. entering into agreements (i) which cannot be terminated without penalty within (a) three years and involving annual expenditures in excess of €10,000,000 or (b) five years, except for supplementary lease agreements with (x) an annual rent of not more than €1,000,000, (y) substantially comparable terms to the relevant existing lease agreement, and (z) a term of ten years or less, or (ii) for annual expenditures in excess of €15,000,000, save that the threshold for expenditures for brand marketing shall be €50,000,000;
8. entering into agreements under which we or any subsidiary binds or purports to bind any of our shareholders or our shareholders' affiliates (other than our subsidiaries) or to cause such shareholders or affiliates to take or forbear from taking action;
9. entering into, amending or terminating agreements between us (or any subsidiary) and any managing director of the company or any subsidiary, any companies affiliated with such managing director, or third parties represented by such managing director;
10. entering into or amending any agreements or other arrangements with any third party that restrict in any fashion the ability of the company (or any subsidiary), which ability shall be subject to the terms of the Management Board Rules (a) to pay dividends or other distributions with respect to any shares in the capital of the company (or any subsidiary) or (b) to make or repay loans or advances to, or guarantee debt of, any of the company's shareholders or such shareholders subsidiaries;
11. entering into, amending or terminating domination agreements (*Beherrschungsverträge*), profit and loss pooling agreements (*Gewinnabführungsverträge*), business leasing contracts (*Unternehmenspachtverträge*) or tax units (*Organschaften*);
12. entering into any transaction with any affiliate or shareholder of the company which is outside the ordinary course of business and not at arms' length terms;
13. issuing shares in the capital of the company or any subsidiary (including phantom stock and profit participation rights) or granting options (including phantom options) or subscription rights for shares of the company or any subsidiary, except pursuant to the company's 2016 Plan (as defined below),

any successor incentive plan, and any predecessor phantom option and profit sharing bonus agreements in existence as of the date hereof or amended pursuant to forms of amendment approved by the general meeting of shareholders of the company, in each case as amended, supplemented or otherwise modified from time to time, which we refer to as the Incentive Plan;

14. share repurchases by the company or any subsidiary (other than in connection with conversion of Class B shares into Class A shares);
15. amendments, modifications or waivers to, or the exercise of any rights under, any stock option, phantom option or similar program of the company or any subsidiary, except to the extent provided in the Incentive Plan;
16. making changes to regulatory or tax status or classification of the company or any subsidiary;
17. change of material accounting standards not required by applicable law or Dutch or U.S. GAAP policy;
18. entering into, amending or terminating employment contracts with founding managing directors, the chief executive officer of the company or the chief financial officer of the company;
19. entering into any collective bargaining agreements (*Tarifverträge*); and
20. initiating or settling material litigation in excess of €1,000,000.

The management board shall, in due course at least 30 days before the end of each fiscal year of the company, prepare and submit to the supervisory board an annual business plan for the following fiscal year. The annual business plan shall become effective upon the approval of the supervisory board, and the annual business plan may be amended by the management board by a quarterly plan with the consent of the supervisory board. The annual business plan will address, in reasonable detail, any anticipated transactions of the type described in Item 1 above. The fiscal year of the company is the calendar year.

If, at the beginning of a fiscal year, no new annual business plan is in effect because the supervisory board did not approve the annual business plan submitted by the management board or the management board did not submit an annual business plan as and when required under the management board rules, the annual business plan for the previous business year shall stay in effect until such time when the supervisory board approves a new annual business plan for the running fiscal year, provided that the target figures for revenue and adjusted EBITDA shall increase by 15% to the previous annual business plan and expense items shall be adjusted accordingly.

Our management board is comprised of three members, and must consist of three to six members. Our management board members have been appointed pursuant to our deed of incorporation. The composition of our management board is subject to the rights of the Founders and Expedia Group (through ELPS) under the Amended and Restated Shareholders' Agreement.

Under our articles of association, the supervisory board may elect one management board member to be the chief executive officer and another management board member to be the chief financial officer subject to the terms of the Amended and Restated Shareholders' Agreement. The supervisory board may revoke the title chief executive officer or chief financial officer subject to the terms of the Amended and Restated Shareholders' Agreement, provided that such management board member shall subsequently continue his term of office as a management board member without having the title of chief executive officer or chief financial officer, respectively.

Our management board members were appointed by our general meeting of shareholders upon the binding nomination by the supervisory board. Under Dutch law, a management board member may, subject to compliance with certain Dutch statutory procedures, be removed with or without cause by a resolution passed by a majority of at least a two thirds of the votes cast by those present in person or by proxy at a meeting and who are entitled to vote, provided such majority represents more than half of the issued share capital, unless the proposal was made by the supervisory board in which case a simple majority of the votes cast is sufficient.

### *Supervisory board*

Our supervisory board is responsible for supervising the conduct of and providing advice to our management board and for supervising our business generally, subject to our articles of association, the Amended and Restated Shareholders' Agreement and the internal rules of our supervisory board (which we refer to as Supervisory Board Rules). Our supervisory board also has the authority to, at its own initiative, provide our management board with advice and may request any information from our management board that it deems appropriate. In performing its duties, our supervisory board is required to take into account the interests of our business as a whole.

Our supervisory board is comprised of seven members, including one temporary board member (pending his appointment by the general meeting). Pursuant to the Amended and Restated Shareholders' Agreement, four supervisory board members were selected by Expedia Group (through ELPS) and three supervisory board members were selected by the Founders. Each supervisory board member was appointed for a term of three years.

Our supervisory board members were appointed by the general meeting of shareholders upon the binding nomination by our supervisory board. Pursuant to the Amended and Restated Shareholders' Agreement, ELPS and the Founders have agreed that any new supervisory board member will be proposed for nomination by either ELPS or the Founders as applicable, depending on which supervisory board member resigns, is not reappointed to, or is removed from the supervisory board. ELPS and the Founders have agreed to consult one another on their respective proposals. A supervisory board member may, subject to compliance with certain Dutch statutory procedures, be removed with or without cause by a shareholder resolution passed by a majority of at least a two thirds of the votes cast by those present in person or by proxy at a meeting and who are entitled to vote, provided such majority represents more than half of the issued share capital, unless the proposal was made by the supervisory board in which case a simple majority of the votes cast is sufficient. Pursuant to the Amended and Restated Shareholders' Agreement, ELPS and the Founders have agreed that ELPS may designate the chairman of the supervisory board. The chairman will be entitled to cast a tie-breaking vote.

### *Management board member services agreements*

We have entered into services agreements with each of the members of our management board. These agreements contain customary provisions regarding noncompetition, nonsolicitation, confidentiality of information and assignment of inventions.

### *Supervisory board member services agreements*

We have entered into services agreements with each of the members of our supervisory board for an indefinite period of time, provided that the agreements will terminate upon dismissal, resignation or expiry of term of office (subject to reappointment) of the supervisory board member concerned. These agreements provide for the compensation awarded to the independent supervisory board members.

### ***Director independence***

As a foreign private issuer under the SEC rules, we are not required to have independent directors on our supervisory board, except to the extent that our Audit Committee is required to consist exclusively of independent supervisory board members. However, our supervisory board has determined that, under current Nasdaq listing standards regarding independence, and taking into account any applicable committee standards, Messrs. Mankodi, Mazzella, Östberg and Schneider would be considered independent supervisory board members.

Under the independence criteria of the DCGC (which requires that our supervisory board be composed of independent members, except for no more than one member who is not independent), Messrs. Mankodi, Mazzella, Östberg and Schneider will be independent supervisory board members. See "*Item 16 G. Corporate governance.*"

### ***Committees of the supervisory board***

Our supervisory board has established an audit committee and a compensation committee.

#### *Audit Committee*

The audit committee consists of Messrs. Mankodi, Östberg, and Schneider and assists the supervisory board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Mankodi serves as chairman of the committee. The audit committee consists exclusively of members of our supervisory board who are financially literate, and Mr. Mankodi is considered an “audit committee financial expert” as defined by the SEC. Our supervisory board has made an affirmative determination that each of our audit committee members is independent under Nasdaq rules and Rule 10A-3 of the Exchange Act. The audit committee is governed by a charter that complies with Nasdaq rules.

Mr. Alan Pickerill has observer status on our Audit Committee, and he is the Chief Financial Officer of Expedia Group, Inc., our indirect majority shareholder. He is relying on an exemption of the Nasdaq listing standards relating to Audit Committees of Rule 10A-3 promulgated under the Exchange Act. See "*Item 16 D. Exemptions from the listing requirements and standards for audit committees.*"

The audit committee is responsible for:

- the appointment, compensation, retention and oversight of the work of, and the relationship with, the independent registered public accounting firm;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor’s qualifications, performance and independence, and presenting its conclusions to the full supervisory board on at least an annual basis;
- reviewing and discussing with the management board and the independent auditor our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports;
- reviewing our compliance with laws and regulations, including major legal and regulatory initiatives and also reviewing any major litigation or investigations against us that may have a material impact on our financial statements; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit committee will meet as often as one or more members of the audit committee deem necessary, but in any event will meet at least four times per year. The audit committee will meet at least once per year with our independent accountant, without members of our management board being present.

#### *Compensation committee*

The compensation committee consists of Messrs. Dzielak and Okerstrom, and assists the supervisory board in determining the compensation of the management board and the supervisory board, in accordance with the remuneration policy that has been determined by the general meeting of shareholders. Mr. Okerstrom serves as chairman of the committee. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard supervisory board member compensation. Pursuant to exemptions from such independence standards as a result of being a controlled company, the members of our compensation committee may not be independent under such standards.

The compensation committee is responsible for:

- recommending each managing director's compensation to the supervisory board and recommending to the supervisory board regarding compensation for supervisory board members;
- identifying, reviewing and approving corporate goals and objectives relevant to management and supervisory board compensation;
- reviewing and approving or making recommendations regarding our incentive compensation and equity-based plans and arrangements;
- reviewing and discussing with management the compensation disclosures to be included in filings and submissions with the SEC;
- preparing an annual compensation committee report; and
- reporting regularly to the supervisory board regarding its activities.

#### D. Employees

The overview of employees at the end of each respective period is summarized in the following table.

	Year ended December 31,		
	2016	2017	2018
Cost of Revenue	26	60	41
Selling and Marketing	521	606	439
Technology and Content	499	652	620
General and Administrative	187	291	254
<b>Total</b>	<b>1,233</b>	<b>1,609</b>	<b>1,354</b>
thereof employed in Germany	1,131	1,448	1,243

None of our employees are covered under a collective bargaining agreement. We consider our employee relations to be good.

#### E. Share ownership

See "Item 7 A. Major shareholders," and see "Item 6 B. Compensation—2016 Omnibus Incentive Plan."

## Item 7: Major shareholders and related party transactions

### A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our shares as of March 1, 2019, by:

- each person, or group of affiliated persons, known by us to beneficially own 5% or more of our outstanding Class A shares and 5% or more of our outstanding Class B shares;
- each member of our management board and our supervisory board; and
- each member of our management board and our supervisory board as a group.

For further information regarding material transactions between us and principal shareholders, see “B. *Related party transactions*” below.

The number of shares (or share capital) beneficially owned by each entity, person, management board member and supervisory board member is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power or from which the individual has the right to receive the economic benefit as well as any shares that the individual has the right to acquire within 60 days of March 1, 2019 through the exercise of any option, warrant or other right. Such shares are deemed outstanding for the purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all managing directors and supervisory board members as a group. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power and the right to receive the economic benefit with respect to shares held by that person.

The following table is presented as of March 1, 2019. See “*Item 4 C. Organizational structure*” for additional information regarding the corporate reorganization. Unless otherwise indicated below, the address for each beneficial owner listed is c/o trivago N.V., Kesselstrasse 5 - 7, 40221 Düsseldorf, Germany.



Name of beneficial owner	Ordinary shares beneficially owned <sup>(1)</sup>				% Voting power <sup>(2)</sup>
	Class A		Class B		
	Shares	%	Shares	%	
<b>5% or greater shareholders</b>					
Expedia Group, Inc. <sup>(3)</sup>	—	—	209,008,088	67.7%	66.8%
Peter Vinnemeier <sup>(4)</sup>	322,667	*	36,610,793	11.9%	11.7%
PAR Investment Partners, L.P. <sup>(5)</sup>	13,105,000	30.8%	—	—	**
683 Capital Management, LLC <sup>(6)</sup>	5,600,000	13.2%	—	—	**
Altimeter Capital Management General Partner LLC <sup>(7)</sup>	4,157,556	9.8%	—	—	**
<b>Management board members</b>					
Rolf Schrömgens	341,334	*	57,597,012	18.7%	18.4%
Axel Hefer	1,044,685	2.5%	—	—	**
Johannes Thomas	893,479	2.1%	—	—	**
<b>Supervisory board members</b>					
Robert J. Dzielak	—	—	—	—	—
Peter M. Kern	91,264	*	—	—	**
Hiren Mankodi	—	—	—	—	**
Frédéric Mazzella	81,124	*	—	—	—
Mark D. Okerstrom	—	—	—	—	—
Niklas Östberg	87,209	*	—	—	**
David Schneider	87,209	*	—	—	**
<b>All management board and supervisory board members as a group (10 persons)</b>	<b>2,626,304</b>	<b>6%</b>	<b>57,597,012</b>	<b>18.7%</b>	<b>18.4%</b>

\* Indicates beneficial ownership of less than 1% of the total outstanding Class A shares.

\*\* Indicates voting power of less than 1%.

(1) Percentages based on 42,559,884 Class A shares outstanding and 308,687,967 Class B shares outstanding as of December 31, 2018. Where the respective individual has the right to acquire within 60 days of March 1, 2019 through the exercise of any option, warrant or other right, such shares are deemed outstanding for the purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all managing directors and supervisory board members as a group. For more information on the stock options held by our management and supervisory boards, see "Item 6 B. Compensation."

(2) Percentage of total voting power represents voting power with respect to all of our Class A and Class B shares, as a single class. The holders of our Class B shares are entitled to ten votes per share, and holders of our Class A shares are entitled to one vote per share. For more information about the voting rights of our Class A and Class B shares, see "Description of share capital and articles of association—Special voting structure and conversion" in our registration on Form F-3 dated April 5, 2018. Each Class B share is convertible into one Class A share at any time by the holder thereof, while Class A shares are not convertible into Class B shares under any circumstances.

(3) As reported on Schedule 13G filed by Expedia Lodging Partner Services S.à r.l. (ELPS), Expedia Group holds its interest in the company through ELPS, an indirect wholly owned subsidiary of Expedia Group. Each Class B share is convertible into one Class A share at any time by the holder thereof, while Class A shares are not convertible into Class B shares under any circumstances. Assuming conversion of all Class B shares beneficially owned by ELPS into Class A shares, ELPS would own 59.5% of our Class A shares. This percentage does not reflect the ten for one voting power of our Class B shares. Because each Class B share is entitled to ten votes per share and each Class A share is entitled to one vote per share, ELPS may be deemed to beneficially own equity securities representing approximately 66.8% of the voting power of the company. The address for Expedia Group is 333 108th Avenue NE, Bellevue, WA 98004.

(4) As of December 31, 2018, Peter Vinnemeier beneficially owned 36,610,793 Class B Shares. As reported on Schedule 13D/A filed by Mr. Vinnemeier, on November 15, 2018, Mr. Vinnemeier entered into a Rule 10b5-1 sales plan with a broker to sell 2,000,000 ADSs, each representing a Class A share. The totals above assume that Mr. Vinnemeier sold all ADSs pursuant to the plan.

(5) As reported on Schedule 13D filed by PAR Investment Partners, L.P., a Delaware limited partnership ("PAR Investment Partners"), PAR Group II, L.P., a Delaware limited partnership ("PAR Group"), and PAR Capital Management, Inc., a Delaware corporation ("PAR Capital Management" and, together with PAR Investment Partners and PAR Group, the "PAR Capital Entities"). PAR Investment Partners

used approximately \$65,758,086 (including brokerage commissions) of the working capital of PAR Investment Partners in the aggregate to purchase Class A Shares reported in its Schedule 13D. A portion of the ADSs PAR Investment Partners purchased were pursuant to a stock purchase agreement described below under "—Significant changes in ownership by major shareholders." The principal business address of the PAR Capital Entities is 200 Clarendon Street, 48th Floor, Boston, MA 02116.

(6) As reported on Schedule 13G/A filed by 683 Capital Management, LLC, 683 Capital Partners, LP and Ari Zweiman. 683 Capital Management, LLC is the investment manager of 683 Capital Partners, LP, and Mr. Zweiman is the Managing Member of 683 Capital Management, LLC. The principal business address for 683 Capital Management, LLC, 683 Capital Partners, LP and Mr. Zweiman is 3 Columbus Circle, Suite 2205, New York, NY 10019.

(7) As reported on Schedule 13G filed by Altimeter Capital Management General Partner LLC (the "General Partner"), Altimeter Capital Management, LP (the "Investment Manager"), Altimeter General Partner, LLC (the "Fund General Partner"), Altimeter Partners Fund, L.P. (the "Fund") and Brad Gerstner (together with the General Partner, the Investment Manager, the Fund General Partner and the Fund, the "Altimeter Entities"), as of December 31, 2018, the Altimeter Entities beneficially owned 4,157,556 Class A Shares. The beneficial ownership of each Altimeter Entities as follows: (i) the Fund beneficially owns 4,157,556 Class A Shares; and (ii) each of the General Partner (as the general partner of the Investment Manager), the Investment Manager (as the investment manager of the Fund), the Fund General Partner (as the general partner of the Fund) and Mr. Gerstner (as the sole managing principal of the General Partner, the Investment Manager and the Fund General Partner) beneficially owns 4,157,556 Class A Shares of the Company.

### **Significant changes in ownership by major shareholders**

On December 16, 2016, we completed our IPO, in which we and the Founders sold, in the aggregate, 30,026,635 Class A shares primarily to new investors. As of December 31, 2018, assuming that all of our Class A shares represented by ADSs are held by residents of the United States, approximately 100% of our outstanding ADSs were held in the United States by one holder of record. At such date, there were 42,559,884 ADSs outstanding, each representing one of our Class A shares, and in the aggregate representing 12.1% of our outstanding ordinary shares. At such date, there was one holder of record registered with Deutsche Bank Trust Company Americas, depository of the ADSs. The actual number of holders is greater than these numbers of holders and includes beneficial owners whose ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities.

On September 14, 2018, PAR Investment Partners entered into a stock purchase agreement, pursuant to which it agreed to purchase 7,000,000 ADSs from Peter Vinnemeier and Malte Siewert. The ADSs were purchased at a price of \$4.47 per ADS in a private transaction that was exempt from registration under the Securities Act. No shares were sold by trivago, and trivago received no proceeds from the transaction. Messrs. Vinnemeier and Siewert received all of the proceeds from the sale. The securities sold in the transaction were not registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The ADSs sold by Messrs. Vinnemeier and Siewert to PAR Investment Partners are restricted securities, and PAR Investment Partners agreed to a six-month lock-up period.

### **B. Related party transactions**

The following is a description of related party transactions between us and any of the members of our management board or supervisory board and the holders of more than 5% of our shares in the period since January 1, 2018.

#### **Relationship with Expedia Group**

In 2013, Expedia Group completed the purchase of a 63% equity interest in the company, purchasing all outstanding equity not held by the Founders or employees for €477 million. During the second quarter of 2016, Expedia Group exercised its call right on certain shares held by non-Founder employees of the company, which were originally awarded in the form of stock options pursuant to the trivago employee stock option plan and subsequently exercised by such employees, and elected to do so at a premium to fair value resulting in a 63.5% ownership by Expedia Group.

### *Amended and Restated Shareholders' Agreement of trivago N.V.*

In connection with our IPO, travel B.V. (which subsequently converted into trivago N.V.), trivago GmbH, the Founders, Expedia Lodging Partner Services S.à r.l. (ELPS) and certain other Expedia Group parties entered into an amended and restated shareholders' agreement, which we refer to as the Amended and Restated Shareholders' Agreement. On August 22, 2017, the parties thereto amended the Amended and Restated Shareholders' Agreement to make a technical correction to the definition of "Secondary Shares" in the agreement. On February 7, 2019, the parties thereto amended the Amended and Restated Shareholders' Agreement to reflect the change in number of members of the management board and the number of members of the Compensation Committee.

### *Agreements regarding the supervisory board*

The Amended and Restated Shareholders' Agreement provides that our supervisory board be comprised of seven members who will each serve for a three year term. Subject to applicable law, including applicable Nasdaq standards: (a) for so long as the Founders and their affiliates hold, collectively, at least 15% of the total number outstanding of Class A and Class B shares, which are deemed to include any securities convertible into or exchangeable for, or any option, warrant, or other right to purchase or otherwise acquire, any Class A or Class B share (calculated as if all such securities had been converted, exercised or exchanged), the Founders will be entitled to designate for binding nomination three members to our supervisory board, all of whom must be independent; and (b) ELPS is entitled to designate for binding nomination all other members of our supervisory board, one of whom will be the chairperson of the board with a tie breaking vote and, if the nominee is qualified, one of whom will be the chairman of our audit committee. ELPS is entitled to increase or decrease the size of the supervisory board, provided that the number of members who the Founders are entitled to appoint is not less than three-sevenths (rounded to the nearest whole number) of the members of the supervisory board.

The Amended and Restated Shareholders' Agreement also sets forth agreements regarding the committees of the supervisory board and the rules of procedure. See "*Item 6 C. Board practices.*"

Our supervisory board members were appointed by our shareholders acting at a general meeting of shareholders upon a binding nomination by the supervisory board as described in "*Item 6 C. Board practices.*" Therefore, ELPS and each Founder is required to vote the shares held by them at the general meeting of shareholders in accordance with the voting arrangements set forth in the Amended and Restated Shareholders' Agreement.

### *Agreements regarding the management board*

Our management board is comprised of three members who have been appointed pursuant to our deed of incorporation. Pursuant to the Amended and Restated Shareholders' Agreement, so long as certain conditions are met, the Founders who are then serving as management board members will be entitled to designate for binding nomination all members to our management board for so long as (i) the Founders and their affiliates, collectively, own at least 15% of the total number outstanding of Class A shares and Class B shares, which are deemed to include any securities convertible into or exchangeable for, or any option, warrant, or other right to purchase or otherwise acquire, any Class A or Class B share (calculated as if all such securities had been converted, exercised or exchanged) and (ii) a Founder is serving as chief executive officer of the company. Subject to certain conditions, so long as (i) the Founders and their affiliates, collectively, own at least 15% of the total number outstanding of Class A shares and Class B shares, which are deemed to include any securities convertible into or exchangeable for, or any option, warrant, or other right to purchase or otherwise acquire, any Class A or Class B share (calculated as if all such securities had been converted, exercised or exchanged) and (ii) any Founder and its affiliates hold at least 50% of the Class A shares and Class B shares, which are deemed to include any securities convertible into or exchangeable for, or any option, warrant, or other right to purchase or otherwise acquire, any Class A or Class B share (calculated as if all such securities had been converted, exercised or exchanged), such Founder owned upon completion of our IPO, such Founder will generally have a right to be designated by the Founders for binding nomination by the supervisory board to the management board. For purposes of determining a Founder's rights described in clause (ii) of the prior sentence, certain sales in the first two years following the offering by such Founder

of Class A shares, or securities convertible, exercisable or exchangeable for Class A shares, shall be treated as having been sold by such Founder in our IPO. The Founders shall only designate a former management board member for a new term if the circumstances initially warranting the removal, non-reappointment or resignation have changed, and the supervisory board in its sole discretion may choose not to designate such former management board member for binding nomination to the management board.

Pursuant to the Amended and Restated Shareholders' Agreement, certain transition arrangements have been agreed for succession of the chief executive officer. From the date that Mr. Schrömgens ceases to serve as chief executive officer, for a period of three years, which we refer to as the Transition Period, so long as a Founder is serving as chief executive officer and there is no set of circumstances that would constitute a reasonable cause, such Founder has the right to nominate a successor, subject to the approval of ELPS, and thereafter, the supervisory board. During the Transition Period, at the request of either the Founders or ELPS, (1) the supervisory board will be expanded by two seats, one of which will be filled by the Founders and one of which will be filled by ELPS, and (2) a three-person committee of the supervisory board will be formed which shall be entitled to nominate a chief executive officer, subject to the approval of ELPS, and thereafter, the supervisory board, in the event that a chief executive officer has not been nominated before the Founder serving as chief executive officer has ceased to serve as such. During the first eighteen months of the Transition Period, if the CEO is not a Founder, ELPS will have the right to designate for binding nomination two management board members and the chief executive officer will have the right to designate all other management board members, subject to approval by the supervisory board.

#### *Registration and other rights*

Pursuant to the Amended and Restated Shareholders' Agreement, ELPS and the Founders have certain demand registration rights, short-form registration rights and piggyback registration rights in respect of any Class A shares and Class B shares, and related indemnification rights from the company, subject to customary restrictions and exceptions. All fees, costs and expenses of registrations, other than underwriting discounts and commissions, are expected to be borne by us.

The Amended and Restated Shareholders' Agreement also grants appropriate information rights to ELPS and the Founders.

ELPS and the Founders also agreed in the Amended and Restated Shareholders' Agreement that certain resolutions of the general meeting of shareholders require the consent of one Founder.

#### *Share transfer restrictions*

The Amended and Restated Shareholders' Agreement provides certain restrictions on the transferability of the Class A shares and Class B shares held by ELPS and the Founders, including prohibitions on transfers by the Founders to our competitors. The Founders have tag-along rights on transfers of Class A or Class B shares to certain specified parties, and based on certain conditions. ELPS has the right to drag the Founders in connection with a sale of all of its Class A shares and Class B shares. Expedia and the Founders agreed to grant each other a right of first offer on any transfers of Class A shares or Class B shares to a third party.

#### *Call and put rights*

Pursuant to the Amended and Restated Shareholders' Agreement, if a Founder is removed for reasonable cause, ELPS will have the right to purchase, and the Founder will be obligated to sell, all, but not less than all, of the Class A shares and Class B shares owned by such Founder, at a price based on a volume-weighted average of the trading price of our Class A shares.

If the general meeting of shareholders resolves to remove a Founder as a management board member without reasonable cause or if the supervisory board revokes the title of chief executive officer from a Founder then serving as chief executive officer without either (i) reasonable cause or (ii) the consent of another Founder, and the Founder terminates his services as management board member within 30 days thereof, then, the Founder will have the right to sell, and ELPS will be obligated to buy, all, but not less than all, of such Founder's shares, at a price based on a volume-weighted average of the trading price of our Class A shares, unless a fact or circumstance exists which would be reasonably likely to result in the occurrence of

any of the events in clauses (a) through (g) in the definition of reasonable cause set forth below. In such a case, no right to sell will be triggered by the removal of such management board member.

Reasonable cause for purposes of the Amended and Restated Shareholders' Agreement means, with respect to a management board member, the occurrence of any of the following: (a) the willful or gross neglect by the management board member of his or her fiduciary duties owed to the company or its subsidiaries; (b) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony (or equivalent) offense by the management board member; provided, that for purposes of this clause (b) if a management board member is removed following being formally accused or charged with the commission of such an offense, and such management board member subsequently is convicted of (or pleads guilty or nolo contendere to) such offense, there will be deemed to have been reasonable cause at the time of the removal; (c) a material breach (or breaches which, when aggregated with any prior breach or breaches, are material) by the management board member of his or her fiduciary duties owed to the company or any of its subsidiaries, or of the company's organizational documents; (d) a material breach by the management board member of any nondisclosure, non-solicitation, or non-competition obligation owed to the company or any of its subsidiaries; (e) a material failure (or failures which, when aggregated with any prior failure or failures, are material) to meet reasonable individual expectations in respect of his individual management duties in respect of the execution of his or her employment or duties as a management board member; (f) a material failure (or failures which, when aggregated with any prior failure or failures, are material) by the company to perform pursuant to the annual business plan, except to the extent that the failure results from unforeseen circumstances and is responded to reasonably and appropriately by such management board member, and (g) any other fact or circumstance or action or inaction by such management board member, in each case constituting good cause under German law as interpreted by German courts.

If the Founders have to sell ordinary shares to pay taxes realized in connection with the cross-border merger or to repay a loan obtained by the Founders to pay such taxes, the ownership levels at which they lose certain rights in the Amended and Restated Shareholders' Agreement shall be equitably adjusted such that, in effect, all or a portion of the shares so sold are treated as having been retained by the Founders.

#### *IPO Structuring Agreement*

In connection with our IPO, travel B.V., the Founders, ELPS, trivago GmbH, and certain other Expedia Group parties entered into an IPO structuring agreement, which we refer to as the IPO Structuring Agreement. Under the IPO Structuring Agreement, each of trivago N.V., trivago GmbH and each of the Founders requested tax rulings from the German tax authorities in connection with the cross-border merger. On August 22, 2017, the parties thereto entered into a side letter to the IPO Structuring Agreement to confirm the parties' understandings with respect to the consummation of the cross-border merger.

#### *Contribution Agreement*

On August 21/22, 2017, the Founders, ELPS, trivago GmbH, trivago N.V. and certain other Expedia Group parties entered into a contribution agreement with respect to potential tax liability arising out of the cross-border merger, which we refer to as the contribution agreement. Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of the cross-border merger. Under the rulings, the German tax authorities have taken the opinion that trivago GmbH is liable for an immaterial tax amount. Under the contribution agreement, ELPS undertook, subject to the occurrence of a final, non-appealable and unchangeable tax assessment notice issued to us, to make an informal immaterial capital contribution (*informelle Kapitalstorting*) on the Class B shares in cash in the amount of any (a) German Corporate Income Tax (*Körperschaftsteuer*), (b) German solidarity surcharge (*Solidaritätszuschlag*) thereon, and (c) German Trade Tax (*Gewerbesteuer*) that would not be made in exchange for any shares issued by us. In accordance with the terms and conditions of the contribution agreement, we and ELPS acknowledged that this contribution would be treated as share premium (*agio*) attached to the Class B shares and that the amount of this contribution would be attributed to our share premium reserve (*agioreserve*) attached to the Class B shares. The parties to the contribution agreement agreed that this contribution by ELPS shall be treated as a tax neutral shareholder contribution (*verdeckte Einlage*) at the trivago N.V. level for corporate tax purposes to the greatest extent possible. If and to the extent that German tax authorities challenge the neutral treatment of the contribution amount at the

trivago N.V. level for corporate tax purposes, ELPS will contribute to us, in addition to the contribution amount referenced above, such additional amount as is necessary to ensure that the net amount actually received by us (after taking into account the payment by us of corporate taxes imposed on the contribution amount and any additional amounts payable to us pursuant the requiring payment of such additional amounts) that equals the full amount that we would have received had no such corporate taxes been imposed on the contribution amount.

#### *Credit facility Guarantee*

On September 5, 2014, we entered into an uncommitted credit facility with Bank of America Merrill Lynch International Ltd., one of the underwriters of our IPO, with a maximum principal amount of €10.0 million. Advances under this facility bear interest at a rate of LIBOR plus 1.0% *per annum*. This facility may be terminated at any time by the lender. Our obligations under this facility are guaranteed by Expedia Group. On December 19, 2014, we entered into an amendment to this facility pursuant to which the maximum principal amount was increased to €50.0 million. We utilized €20.0 million of our €50.0 million credit facility to fund capital requirements in 2015. During the year ended December 31, 2016, we utilized an additional €20.0 million under our credit facility, and subsequently repaid a total of €40.0 million of this obligation. As of December 31, 2017 and 2018, €0.0 million was drawn from our €50.0 million credit facility.

#### *Services Agreement*

On May 1, 2013, we entered into an Asset Purchase Agreement, pursuant to which Expedia Group purchased certain computer hardware and software from us, and a Data Hosting Services Agreement, pursuant to which Expedia Group provides us with certain data hosting services relating to all of the servers we use that are located within the United States. Either party may terminate the Data Hosting Services Agreement upon 30 days' prior written notice. We have not incurred material expenses under this agreement.

#### *Services and Support Agreement*

On September 1, 2016, we entered into a Services and Support Agreement, pursuant to which ELPS agreed to provide us with certain services in connection with localizing content on our websites, such as translation services. Either party may terminate the Services and Support Agreement upon 90 days' prior notice. We have not incurred material expenses under this agreement.

#### *Commercial relationships*

We currently have commercial relationships with many Expedia Group affiliated brands, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif, HomeAway and ebookers. These are arrangements terminable at will or upon three to seven days' prior notice by either party and on customary commercial terms that enable Expedia Group's brands to advertise on our platform, and we receive payment for users we refer to them. We are also party to a letter agreement pursuant to which Expedia Group refers traffic to us when a particular hotel or region is unavailable on the applicable Expedia Group website. For the years ended December 31, 2016, 2017 and 2018, Expedia Group and its brands in each of the years accounted for 36% of our total revenues.

See "*Item 5 Operating and financial review and prospects*" for additional information.

#### *Shared services arrangements*

Pursuant to certain informal shared services arrangements, we have recorded expenses incurred by Expedia Group on behalf of us as a non-cash charge and treated as a contribution from parent in equity. This shared services fee, which is comprised of allocations from Expedia Group for legal, tax, treasury, audit and corporate development costs and also includes an allocation of employee compensation within these functions in certain instances. These allocations were determined on a basis that we and Expedia Group considered to be a reasonable, including number of factors such as headcount, estimated time spent, and operating expenses and is a reflection of the cost of services provided or the benefit received by us. It is not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity, and in the opinion of our management, the allocation method is reasonable. For the years ended

December 31, 2016 and 2017, the shared service fee was €4.2 million and €0.1 million, respectively. No expenses have been allocated to us from Expedia Group since the year ended December 31, 2017.

***Agreements with management board or supervisory board members***

For a description of our agreements with our management board and supervisory board members, please see “*Item 6 C. Board Practices—Management board member services agreements*” and “*Item 6 C. Board Practices—Supervisory board member services agreements.*”

***Indemnification agreements***

We have entered into indemnification agreements with members of our management board and our supervisory board. Our articles of association require us to indemnify our management board members and supervisory board members to the fullest extent permitted by law.

**C. Interests of Experts and Counsel**

Not applicable.

## Item 8: Financial information

### A. Consolidated statements and other financial information

See the financial statements beginning on page F-1.

#### **Legal Proceedings**

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations.

On August 23, 2018, the Australian Competition and Consumer Commission, or ACCC, instituted proceedings in the Australian Federal Court against us. The ACCC alleged breaches of Australian consumer law relating to our advertisements in Australia concerning the hotel prices available on our Australian site and our strike-through pricing practice, which is the display adjacent to the price quote in the top position in our search results of a higher price that is crossed out. On November 27, 2018, we filed a response to the ACCC's statement of claim. On December 19, 2018, the court issued an order setting a trial date for September 9, 2019 and requiring us to produce certain documents. We are in the process of producing these documents. Management has established a provision in respect of this matter.

We and certain of our management board members are the subject of two putative class actions that were filed in the United States District Court for the Southern District of New York. These two actions have since been consolidated into a single action, and an amended complaint was filed in that action on March 30, 2018. The amended complaint asserts claims under the Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended, on behalf of persons who purchased or otherwise acquired trivago's American Depositary Receipts pursuant and/or traceable to the registration statement and prospectus issued in connection with our IPO on or about December 16, 2016 and/or on the open market between December 16, 2016 and October 25, 2017. The complaint also names underwriters of our initial public offering as defendants. On May 14, 2018, we filed a motion to dismiss this matter. On February 26, 2019, the court granted the motion to dismiss as to all defendants, without granting plaintiffs leave to further amend the complaint. The plaintiffs may appeal the decision by March 29, 2019.

The U.K. Competition & Markets Authority, or CMA, announced the launch of a consumer law investigation into online hotel booking sites in the United Kingdom in October 2017. On July 26, 2018, the CMA informed us of its decision to open an investigation into certain of our display practices in the United Kingdom that the CMA considers may violate U.K. consumer law. On January 31, 2019, we submitted voluntary undertakings to the CMA to make changes to certain disclosure and other display practices in the United Kingdom. The undertakings provide for an implementation period of six months and resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding of liability.

The outcomes of these matters could have a material adverse effect on our business, financial condition or results of operations.

#### **Dividends**

We do not at present plan to pay cash dividends on our Class A shares. Under Dutch law, we may only pay dividends to the extent that our shareholders' equity (*eigen vermogen*) exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained under Dutch law or by our articles of association. Subject to such restrictions, any future determination to pay dividends will be at the discretion of our management board (in some instances, subject to approval by a Founder), and will depend upon a number of factors, including our results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors our management board deems relevant.

### B. Significant Changes

See *Note 20—Subsequent Events* to the audited consolidated financial statements included elsewhere in this annual report.



## **Item 9: Offer and listing**

### **A. Offering and Listing Details**

The ADS have been listed on The NASDAQ Global Select Market under the symbol “TRVG” since December 16, 2016. Prior to that date, there was no public trading market for ADSs or our Class A shares. Our IPO was priced at \$11.00 per ADS on December 15, 2016.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

The ADS have been listed on The NASDAQ Global Select Market under the symbol “TRVG” since December 16, 2016.

### **D. Selling Shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

### **F. Expenses of the Issue**

Not applicable.

## Item 10: Additional information

### A. Share capital

Not applicable.

### B. Memorandum and articles of association

Our shareholders adopted the Articles of Association filed as Exhibit 3.1 to our Registration Statement on Form F-1 filed with the SEC on November 14, 2016.

The information set forth in our registration statement on Form F-3 dated April 5, 2018, filed with the SEC, under the headings “*Description of share capital and articles of association—Amendment of articles of association*,” “*Description of share capital and articles of association—Comparison of Dutch corporate law and our articles of association and U.S. corporate law*” is incorporated herein by reference.

### C. Material contracts

#### *Lease of our headquarters*

On July 23, 2015, we entered into a Lease Agreement with Jupiter EINHUNDERTVIERUNDFÜNFZIG GmbH (now IMMOFINANZ Medienhafen GmbH) for office space in the Media Harbor area in Düsseldorf with a monthly rent of €585,587. The handover of the premises took place on May 30, 2018. The initial lease term of ten years will end on May 31, 2028, and we have two options to extend the lease term for another five years each.

Except as otherwise disclosed in this annual report (including the Exhibits), we are not currently, nor have we been for the past two years, party to any material contract, other than contracts entered into in the ordinary course of business.

### D. Exchange controls

There are no governmental laws, decrees or regulations in the Netherlands, the Company's jurisdiction of organization, that restrict the Company's export or import of capital in any material respect, including, but not limited to, foreign exchange controls.

There are no limitations imposed by Dutch law or the Company's charter documents on the right of non-resident or foreign owners to hold or vote Class A shares.

### E. Taxation

*The following summary contains a description of material German, Dutch and U.S. federal income tax consequences of the acquisition, ownership and disposition of ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase ADSs. The summary is based on the tax laws of Germany and the regulations thereunder, on the tax laws of the Netherlands and regulations thereunder and on the tax laws of the United States and regulations thereunder as of the date hereof, which are subject to change.*

## **German taxation**

*The following section presents a number of key German taxation principles which are or can be relevant to the acquisition, holding or transfer of ADSs both by an ADS holder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) not being subject to a specific or special German tax regime and by an ADS holder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for ADS holders. The information is based on the tax law in force in Germany as of the date of this annual report (and its interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section.*

*This section cannot serve as a substitute for tailored tax advice to individual ADS holders. ADS holders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of ADSs and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax-relevant circumstances of individual ADS holders into due account.*

### *Taxation of the company (trivago N.V.)*

#### General

The company, trivago N.V., has three German tax resident individuals serving as managing directors and intends to operate its business from Germany. It is therefore our German tax counsel's understanding that the effective place of management of trivago N.V. should be in Germany, and that trivago N.V. is subject to unlimited tax liability for German corporate income tax (*Körperschaftsteuer*) and trade tax (*Gewerbesteuer*) notwithstanding the fact that it is incorporated in the Netherlands as described in "*-Tax treatment of corporate reorganization.*" Nevertheless, the effective place of management test depends upon facts and circumstances. The company intends to have its effective place of management in Germany and has made arrangements that are aimed to keep its effective place of management in Germany. The organizational rules provide that, subject to certain exemptions, (a) management decisions are to be taken in principle in Germany and (b) supervisory board meetings shall be held in Germany. In accordance with the organizational rules the supervisory board has issued to the management board "Best-Practice Guidelines" giving recommendations on how to deal with certain aspects of the management of the company to ensure a German place of management of the company.

The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (i.e., 15.825% in total).

Unless there is a specific exception, dividends (*Dividenden*) or other profit shares that the company derived from domestic or foreign corporations are effectively 95% exempt from corporate income tax, as 5% of such receipts are treated as non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge). One of the exceptions applies to dividends that the company receives or received from domestic or foreign corporations (since February 28, 2013), being subject to corporate income tax (including solidarity surcharge thereon), if the company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "Portfolio Participation" -*Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmenschaften*)) are attributable to the company only on a *pro rata* basis at the ratio of the interest share of the company in the assets of relevant partnership.

The company's gains from the disposal of shares in a domestic or foreign corporation are effectively 95% exempt from corporate income tax (including solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and

are therefore subject to corporate income tax (plus solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

The company is subject to German trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) generated at its permanent establishments maintained in Germany (*inländische Betriebsstätte*). Depending on the municipal trade tax multiplier applied by the relevant municipal authority (*Hebesatz*), in most cases trade tax ranges from approximately 7% to 18.2% of the taxable trade profit. When determining the income of the corporation that is subject to corporate income tax, trade tax must not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax purposes. Contrary to this, profit shares derived from domestic and foreign corporations are only effectively 95% exempt from trade tax, if the company either held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period (*Erhebungszeitraum*) or - in the case of foreign corporations - if the company has held a stake of this size since the beginning of such period and provided that certain further requirements are fulfilled (trade tax participation exemption privilege - *gewerbesteuerliches Schachtelprivileg*). If the participation is held in a foreign corporation as per Article 2 of Council Directive 2011/96/EU of November 30, 2011, or the Parent-Subsidiary Directive, with its registered office in another member state of the European Union, the trade tax participation exemption privilege becomes applicable from an interest of 10% in the share capital of the foreign corporation at the beginning of the relevant assessment period (*Erhebungszeitraum*). Otherwise, the profit shares will be subject to trade tax in full. Additional restrictions apply for profit shares originating from foreign corporations which do not fall under Article 2 of the Parent-Subsidiary Directive.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which interest expenses are deductible from the tax base. As a rule, interest expenses exceeding interest income are deductible in an amount of up to 30% of the EBITDA as determined for tax purposes in a given financial year, although there are exceptions to this rule. Non-deductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilized can, under certain circumstances, be carried forward and may be considered, within the limitations as set out above, over the following five years. For trade tax purposes, in principle 25% of the interest expenses deductible after applying the interest barrier are added back when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is in principle only 75% of the interest expenses deductible for purposes of corporate income tax.

Under certain conditions, negative income of the company that has not been offset against current year positive income can be carried forward or back into other assessment periods. Loss carry-backs to the immediately preceding assessment period are only permissible up to €1,000,000 for corporate income tax but not at all for trade tax purposes. Negative income not offset against positive income for corporate income and trade tax purposes can be carried forward to following taxation periods (tax loss carry-forward). If in such following taxation period the taxable income or the taxable trade profit exceeds the €1,000,000 threshold (up to which such income can be offset with the tax loss carry-forward in full), only 60% of the excess amount can be offset by tax loss carry-forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation - *Mindestbesteuerung*). Unused tax loss carry-forwards can, as a rule, be carried forward indefinitely and deducted pursuant to the rules set out regarding future taxable income or trade income. However, if more than 50% of the company's share capital or voting rights respectively is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition - *schädlicher Beteiligungserwerb*), the company's unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) will be forfeited in full and cannot be offset against future profits, unless one of the specific exceptions under section 8c or 8d of the German Corporate Income Tax Act applies.

Expenses incurred by trivago N.V. in connection with our IPO may be regarded as incurred for the benefit of the Founders. In such case, the tax authorities may take the view to treat such expenses as not deductible for tax purposes and assess withholding tax at a rate of 26.375% on the respective amounts.

## Tax treatment of corporate reorganization

Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of cross-border merger. Based on the facts presented in the requests for the tax rulings, the tax rulings confirmed the tax neutrality of the cross-border merger for trivago GmbH, trivago N.V. and the Founders under German tax law in all material respects. Following receipt of such tax rulings, we consummated the cross-border merger, which became legally effective as of September 7, 2017. However, for income tax purposes the cross-border merger has to be treated with retroactive effect as of December 31, 2016. Pursuant to the cross-border merger, the Founders exchanged all of their units of trivago GmbH remaining after the pre-IPO corporate reorganization for Class B shares of trivago N.V.

### *German taxation of ADS holders*

#### General

Based on the interpretation circular (*Besteuerung von American Depository Receipts (ADR) auf inländische Aktien*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated May 24, 2013 (reference number IV C 1-S2204/12/10003), or the ADR Tax Circular, for German tax purposes, ADRs referring to shares issued by a German stock corporation (*Aktiengesellschaft*) represent a beneficial ownership interest in the underlying ordinary shares.

The ADSs should qualify as ADRs under the ADR Tax Circular, and dividends would accordingly be attributable to the holders of the ADSs for German tax purposes as if they would hold Class A shares, and not to the legal owner of the underlying Class A shares (which is the depository holding the Class A shares for the ADS holders). Therefore, the ADS holders should, for German tax purposes, be treated as directly holding an interest in the company's Class A shares. With respect to German tax risks with respect to the ADSs please refer to "*Item 3 D. Risk factors*" above.

#### Income tax implications of the holding, sale and transfer of ADSs

In terms of the income taxation of ADS holders, a distinction must be made between taxation in connection with the holding of ADSs ("*German taxation of the distributions from ADSs*") and taxation in connection with the sale of ADSs ("*German taxation of capital gains from ADSs*").

#### German taxation of the distributions from ADSs

##### Withholding tax-General

The full amount of a dividend distributed by the company is subject to German withholding tax (*Kapitalertragsteuer*) at a rate of 25% plus a solidarity surcharge of 5.5% on the withholding tax, resulting in an aggregate tax rate of 26.375%. This, however, will not apply if and to the extent that dividend payments are funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*, or KStG)); in this case, no withholding tax will be withheld. The basis for the withholding tax is the dividend approved for distribution by the company's shareholders' meeting. The amount of the relevant taxable income is based on the gross amount in euro; any currency differences should be irrelevant.

In general, withholding tax on dividends distributed by a company to its shareholders is withheld and discharged for the account of the shareholders by the company. However, if and when shares are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent or by the central securities depository to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such

central securities depository, each a Paying Agent. The company in which shares are held does not assume any responsibility for the withholding of the withholding tax. In general, the withholding tax must be withheld regardless of whether and to which extent the distribution is exempt from tax at the level of a shareholder and whether the shareholder is domiciled in Germany or abroad.

As the ADS holders should, for German tax purposes, be treated as directly holding an interest in the company's Class A shares, the description in the paragraph above should apply accordingly.

More specifically as regards to the distributions from ADSs, the German withholding tax will be withheld either by (i) the German financial institution that holds or administers the underlying Class A shares in custody and disburses or credits the dividend income from the underlying Class A shares or (ii) the German collective securities custodian, i.e., on the payment made to the depository (in both cases (i) or (ii), a Paying Agent). Further, a withholding tax certificate should be issued which entitles the addressee of such certificate to a refund or tax credit of the German taxes withheld. The ADS holder should be entitled to any refund or tax credit (and not the legal owner which is the depository) as it is treated for German tax purposes as the beneficial owner of the Class A shares. Consequently, the German taxes levied on the payments under the ADSs should be the same as if the ADS holder invested directly in the Class A shares because the ADS holder is either entitled to a refund or a tax credit. The ADS holders would be treated as if they hold Class A shares directly and withholding tax would be charged only once.

#### Taxation of the distributions from ADSs for investors not domiciled in Germany

ADS holders without a tax domicile in Germany whose ADSs are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are also subject to tax in Germany on their dividend income. In this respect, the provisions outlined below for ADS holders with a tax domicile in Germany whose ADS are held as business assets apply accordingly (“—*Taxation of the distributions from ADSs for investors domiciled in Germany—ADSs held as business assets*”). The withholding tax (including the solidarity surcharge thereon) withheld and passed on will be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, ADS holders are only subject to German taxation with respect to specific German source income (*beschränkte Steuerpflicht*), in particular, dividends distributed by a German tax resident corporation. Dividend payments that are funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) are not taxable in Germany (provided the respective certification requirements are properly fulfilled). According to the ADR Tax Circular, dividend income from the underlying shares should be attributed to the holder of the ADSs for German tax purposes and not to the legal owner of the shares. As a consequence thereof, dividend income derived from ADSs should be treated as German source income (*beschränkte Steuerpflicht*).

Any German limited tax liability on dividends is discharged by withholding tax. Withholding tax is only reimbursed in the cases and to the extent described below.

However, withholding tax on dividends distributed to an ADS holder being a company domiciled in another EU Member State within the meaning of Article 2 of the Parent-Subsidiary Directive may be refunded or exempted upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment in another EU Member State of such a parent company or to a permanent establishment in another EU Member State of a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the company actually forms part of such permanent establishment's business assets. As further requirements for a refund or exemption of withholding tax under the Parent-Subsidiary Directive, the ADS holder needs to hold ADSs that represent at least a 10% direct stake in the company's registered capital for one year and to file a respective application with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, Hauptdienstszitz Bonn-Beuel, An der Kuppe 1, 53225 Bonn) using an official form.

Based on the double taxation treaty concluded between Germany and the jurisdiction where an investor is tax resident for purposes of the respective double taxation treaty, which we refer to in the following as the Treaty, German withholding tax may be reduced to a lower tax rate usually amounting to 15% of the gross

dividend on the basis of an applicable Treaty. In this event, the excess of the total withholding tax, including the solidarity surcharge, over the maximum rate of withholding tax permitted by the Treaty should be refunded to the investors upon application. A U.S. investor for example initially should receive a net payment of €73.625 from a gross dividend amounting to €100 (i.e., €100 minus the 26.375% withholding tax). Such U.S. investor may, subject to fulfilling procedural requirements, be entitled to a partial refund from the German tax authorities in the amount of 11.375% of the gross dividend. As a result, the U.S. investor may ultimately receive a payment of €85 in total (85% of the gross dividend amount), provided that it is entitled to Treaty benefits.

On December 1, 2016, the German Federal Parliament (*Bundestag*) approved a new provision (section 50j EStG) to limit the entitlement of non-resident shareholders to a refund or a reduction of German dividend withholding tax under a double taxation treaty under certain circumstances. The new rule came into force for assessment periods starting January 1, 2017. Under the new rule, a refund or a reduction of German dividend withholding tax under a double taxation treaty will, in principle, only be granted, if (i) the non-resident ADS holder is not obliged to forward the dividend proceeds received from the company to any other person, the non-resident shareholder has continuously held beneficial ownership in the shares of the company during the 45-day-period prior to the due date of the distribution (*Pre-Holding Period*), the non-resident shareholder continuously holds beneficial ownership in the shares of the company during the 45-day-period after the due date of the distribution (*Post-Holding Period*), and the non-resident shareholder has continuously borne the market risk exposure during both the Pre-Holding Period and the Post-Holding Period, taking hedging or comparable transaction into account. On the other hand, the new rule shall not apply (and the entitlement of a non-resident ADS holder to a refund or a reduction of German dividend withholding tax is not limited by this rule), if (i) the applicable double taxation treaty of the non-resident shareholder provides for a withholding tax rate of at least 15%, or (ii) the non-resident ADS holder is subject to income taxation in its state of residency (without being tax exempt) and holds directly at least 10% in the share capital of the company paying the dividend or (iii) the non-resident ADS holder has continuously been holding the beneficial ownership in the shares of the company for a period of at least twelve months prior to the date on which the income accrued (*Zufluss*).

Investors should note that the aforementioned refund or reduction of German withholding tax under a Treaty requires the investor to make tax filings with the competent German tax office using a withholding tax certificate issued under German law by the agent, who has withheld and remitted the withholding tax (the Paying Agent). If the depositary operates an interface with DTC, it should have under regular circumstances sufficient information about the identity of the ADS holder so that a tax reclaim process can be filed with the competent German tax office and a withholding tax certificate can be issued to the ADS holder. In the absence of such withholding tax certificate, an ADS holder will not be entitled to receive a tax refund from the German tax authorities and may not credit the German withholding tax against its tax liability.

Claims for refunds may be made on a separate form, which must be filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, An der Kuppel 1, 53225 Bonn, Germany). The form is available at the same address, on the German Federal Central Tax Office's website ([www.bzst.de](http://www.bzst.de)). The refund claim becomes time-barred after four years following the calendar year in which the dividend is received unless the commencement starts later, the period is interrupted or suspended. As described above, an investor must submit to the German tax authorities the original withholding tax certificate (or a certified copy thereof) issued by the Paying Agent and documenting the tax withheld. Furthermore, an official certification of tax residency must be submitted.

Under a simplified refund procedure based on electronic data exchange (*Datenträgerverfahren*), a paying or disbursing agent that is registered as a participant in the electronic data exchange procedure with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) may file an electronic collective refund claim on behalf of all of the ADS holders for whom it holds the company's ADSs in custody. However, the simplified refund procedure only allows for a refund up to the regular tax rate provided in the Treaty. It is not possible to use the simplified refund procedure to claim a further refund, for example based on special privileges under a Treaty.

If dividends are distributed to corporations subject to a limited tax liability in Germany, i.e. corporations with no statutory seat or place of management in Germany, and if the shares neither belong to the assets of a

permanent establishment or fixed place of business in Germany nor form part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can be, subject to national anti-treaty shopping provisions, refunded even if the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant Treaty are not fulfilled. The relevant application forms are available at the German Federal Central Tax Office at the address specified above.

The exemption from withholding tax under the Parent-Subsidiary Directive as well as the aforementioned possibilities for a refund of withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called substance requirements - *Substanzerfordernisse*).

#### Taxation of the distributions from ADSs for investors domiciled in Germany

Based on the assumption that the ADS holder should be treated, in line with the ADR Tax Circular, as the beneficial owner of the Class A shares for German tax purposes, German ADS holders should be subject to German taxation as if they owned the Class A shares directly.

#### ADSs held as non-business assets

Dividends distributed to ADS holders with a tax domicile in Germany whose ADSs are held as non-business assets form part of their taxable capital investment income, which is subject to a flat tax at a rate of 25% plus solidarity surcharge of 5.5% thereon (i.e. 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is in general discharged by the withholding tax levied by the company (flat tax - *Abgeltungsteuer*) unless the ADS holder applies for the regular, progressive tax rate. Income-related expenses cannot be deducted from the capital investment income, except for an annual lump sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly). However, the ADS holder may request that its capital investment income (including dividends) along with its other taxable income is taxed at the progressive income tax rate (instead of the flat tax on capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). In this case, the withholding tax will be credited against the progressive income tax and any excess amount will be refunded. Pursuant to the view of the German tax authorities (which has been confirmed by a decision by the German Federal Tax Court (*Bundesfinanzhof*)), in this case as well, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump sum deduction.

Exceptions from the flat tax apply upon application for ADS holders with underlying shares of at least 25% in the company and for ADS holders with underlying shares of at least 1% in the company and who work for the company in a professional capacity.

With regard to dividends received after December 31, 2014, an automatic procedure for deducting church tax applies unless the ADS holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office. The church tax payable on the dividend is withheld and passed on by the Paying Agent. In this case, the church tax for dividends is satisfied by the Paying Agent withholding such tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Paying Agent may reduce the withholding tax (including the solidarity surcharge) by 26.375% of the church tax to be withheld on the dividends. If the ADS holder has filed a blocking notice and no church tax is withheld by a Paying Agent, an ADS holder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to ADS holders with a tax domicile in Germany with ADSs held as non-business assets, do, contrary to the above, not form part of the ADS holder's taxable income (provided the respective certification requirements are properly fulfilled). If the dividend payment funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the ADS holder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the ADSs' or shares' disposal. This will not apply if (i) the ADS holder or, in the event of a gratuitous transfer, its legal predecessor, or, if the ADSs have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal, directly or indirectly held ADSs (and/or shares) that



represent at least 1% of the underlying share capital of the company (a “Qualified Holding”), and (ii) the dividend payment funded from the company’s contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the acquisition costs of the ADSs. In such a case of a Qualified Holding, a dividend payment funded from the company’s contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) is deemed a sale of the ADSs and is taxable as a capital gain if and to the extent the dividend payment funded from the company’s contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the acquisition costs of the ADSs. In this case, the taxation corresponds with the description in “—German taxation of capital gains from ADSs—ADS holder with a domicile in Germany” made with regard to ADS holders maintaining a Qualified Holding.

The Paying Agent which keeps or administers the ADSs and pays or credits the capital income is required to create so-called pots for the loss set-off (*Verlustverrechnungstöpfe*) to allow for setting-off of negative capital income with current and future positive capital income. A set-off of negative capital income administrated by one Paying Agent with positive capital income administrated by another Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case, the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Paying Agent where the pots for the loss set off exist. The application is irrevocable and has to reach the Paying Agent before December 15th of the respective year; otherwise the losses will be carried forward to the following year by the Paying Agent.

Withholding tax will not be withheld by a Paying Agent if the taxpayer provides the Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent that the capital income does not exceed the annual lump sum allowance (*Sparerpauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

#### ADSs held as business assets

Dividends from ADSs held as business assets by an ADS holder with a tax domicile in Germany are not subject to the flat tax. The taxation depends on whether the ADS holder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge thereon and church tax, if applicable) withheld and paid will be credited against the ADS holder’s income tax or corporate income tax liability (including the solidarity surcharge thereon and church tax, if applicable) or refunded in the amount of any excess.

Dividend payments that are funded from the company’s contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to ADS holders with a tax domicile in Germany whose ADSs are held as business assets are fully tax-exempt in the hands of such ADS holder (provided the respective certification requirements are properly fulfilled). To the extent the dividend payments funded from the company’s contribution account for tax purposes exceed the acquisition costs of the ADS, a taxable capital gain should occur. The taxation of such gain corresponds with the description in “—German taxation of capital gains from ADSs” made with regard to ADS holders whose ADSs are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

#### Corporations

If the ADS holder is a corporation with a tax domicile in Germany, the dividends are effectively 95% exempt from corporate income tax and the solidarity surcharge unless an exception is applicable thereto. 5% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon), if the ADS holder only held (or holds) a direct participation of less than 10% in the underlying share capital of the distributing corporation at the beginning of the calendar year (hereinafter in all cases, a “Portfolio Participation” (*Streubesitzbeteiligung*)). Underlying participations of at least 10% acquired during a calendar year are deemed to have been acquired

at the beginning of the calendar year. Underlying participations that an ADS holder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmensschaften*)) are attributable to the ADS holder only on a *pro rata* basis at the ratio of the interest share of the ADS holder in the assets of the relevant partnership.

However, the dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation exemption privilege are fulfilled. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on amounts considered to be non-deductible business expenses (amounting to 5% of the dividend). Depending on the municipal trade tax multiplier applied by the relevant municipal authority, in most cases trade tax ranges from 7% to approximately 18%.

#### Sole proprietors

If the ADSs are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge thereon) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable), under the so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax-deductible. If the ADSs belong to a domestic permanent establishment in Germany of a business operation of an ADS holder, the dividend income (after deducting business expenses economically related thereto) is fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case, the net amount of dividends, i.e. after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the ADS holder's personal income tax, either in full or in part, by means of a lump sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

#### Partnerships

If the ADS holder is a genuine business partnership or a deemed business partnership (co-entrepreneurship) with a permanent establishment in Germany, the income tax or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation of every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the partner will be taxed in accordance with the rules applicable for corporations (see "*—Corporations*" above). If the partner is an individual, the taxation follows the rules described for sole proprietors, (see "*—Sole proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate reduced for earnings retained at the level of the partnership.

In addition, the dividends are subject to trade tax in the full amount at the partnership level if the ADSs are attributed to a German permanent establishment of the partnership, unless the requirements of the trade tax participation exemption privilege are fulfilled. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will be credited, either in full or in part, against his personal income tax by means of a lump sum method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is currently unclear how the rules for the taxation of dividends from Portfolio Participations (see "*—Corporations*" above) might impact the trade tax treatment at the level of the partnership. ADS holders are strongly recommended to consult their tax advisors. Under a literal reading of the law, if the partnership qualifies for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends should not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the underlying shares in the company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only Portfolio Participations are attributable) should (after the deduction of business expenses economically related thereto) not be subject to trade tax.

### Special treatment of companies in the financial and insurance sectors and pension funds

If credit institutions (*Kreditinstitute*) or financial services institutions (*Finanzdienstleistungsunternehmen*) hold ADSs that are allocable to their trading book pursuant to Section 340e para. 3 of the German Commercial Code (*Handelsgesetzbuch*), they will neither be able to use the partial income method nor have 60% of their dividend income exempt from taxation nor be entitled to the effective 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income is fully taxable. The same applies to financial institutions (*Finanzunternehmen*) in the meaning of the German Banking Act if they have acquired the ADSs prior to January 1, 2017 for the purpose of generating profits from short-term proprietary trading or if they have acquired the ADSs after December 31, 2016 and are predominantly owned by banks or financial services providers and have to book the ADSs as current assets (*Umlaufvermögen*) upon acquisition. The preceding sentences apply accordingly for ADSs held in a permanent establishment in Germany by foreign credit institutions, financial services institutions, and financial institutions. Likewise, the tax exemption described earlier afforded to corporations from ADSs does not apply to ADSs that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds. However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies.

### Withholding tax-ADSs held in a German custody account

If and when the ADSs are held in a German custody account withholding tax may apply at different levels:

- at a first level, there will be German withholding tax of 26.375% (including solidarity surcharge) on trivago N.V.'s dividend payment made to the ADS Agent; this withholding tax may be reduced to 15% or to a lower tax rate;
- at a second level, the German paying agent that holds the ADSs in custody for the investor, or the German Distribution Paying Agent, is required to withhold again German withholding tax of 26.375% (including solidarity surcharge) plus church tax, if any. The German Distribution Paying Agent is the German domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including German domestic branches of such foreign enterprises), the German domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the German domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the ADSs and disburses or credits the ADS distributions.

Consequently, a higher tax burden may arise if the respective withholding tax certificate cannot be issued and therefore neither the German investor nor the ADS agent are able to use the withholding tax withheld at the first level or the second level as a tax credit or apply for a respective tax refund. The German Federal Ministry of Finance (*Bundesministerium der Finanzen*) has suggested and described a procedural solution to avoid such potential double taxation in an interpretation circular dated October 26, 2011 (BMF IV C 1 - S 2400/11/10002:003). However, from a procedural perspective, it is not entirely clear whether this circular also applies to ADSs. According to our German tax counsel's opinion, this should be the case since ADSs are representing the underlying Class A shares (see above).

Especially if the ADS are not held with a German Distribution Paying Agent, a German investor should be required to include any payment from the ADSs in its German tax return and may not be entitled to credit taxes withheld at the first or second level against its German tax liability for the reason that the required withholding tax certificate has not been issued.

Further, the refund or credit of the withholding tax may be denied in a portion of three-fifths under certain circumstances as further described in more detail in Section 36a German Income Tax Act (*Einkommensteuergesetz*), *inter alia*, if and when the ADS holder is not the beneficial owner of the ADSs within a time frame of 45 days around the ex-date of the underlying Class A shares.

## German taxation of capital gains from ADS

### Taxation of capital gains from ADSs-ADS holder not tax resident in Germany

The capital gains from the disposition of ADSs realized by an ADS holder who is not a German tax resident should be subject to German tax only if such investor held ADSs that directly or indirectly represent 1% or more in the underlying company's ordinary shares (i.e., a Qualified Holding as defined in "*-Taxation of the distributions from ADS for investors domiciled in Germany-ADSs held as non-business assets*") at any time during a five-year-period preceding the disposition or if the ADSs or underlying shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed. If such holder had acquired the ADSs without consideration, the previous owner's holding period and amount of the holding would also be taken into account.

In case of a Qualified Holding, 5% of the gains from the disposal of the ADSs could, under German domestic tax law, currently be subject to corporate income tax plus solidarity surcharge thereon if the ADS holder is a corporation. However, the German Federal Tax Court (*Bundesfinanzhof*) has, in a recent decision, ruled against the application of the 5% rule in case of foreign corporations which have neither a permanent establishment nor a permanent representative in Germany. If the ADS holder is an individual, only 60% of the gains from the disposal of the ADSs are subject to the progressive income tax rate plus solidarity surcharge thereon (partial income method). However, most Treaties provide for an exemption from German taxation and attribute the right of taxation to the ADS holder's state of residence. According to German tax authorities there is no obligation to levy withholding tax at source in the case of a Qualified Holding if the ADS holder submits to the Paying Agent a certificate of residence issued by the competent foreign tax authority.

In case of a Qualified Holding, the relevant ADS holder has to file a German tax return. Please note that a tax return is also required if Germany does not have the right to tax such capital gains pursuant to the individual applicable Treaty.

With regard to capital gains or losses from ADSs attributable to a domestic permanent establishment or fixed place of business or which form part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to ADS holders with a tax domicile in Germany whose ADSs are business assets apply *mutatis mutandis* (see "*—Taxation of capital gains from ADSs—ADS holder with a domicile in Germany—ADSs held as business assets*"). The Paying Agent can refrain from deducting the withholding tax if the ADS holder declares to the Paying Agent on an official form that the ADSs form part of domestic business assets and certain other requirements are met.

German statutory law requires the disbursing agent to levy withholding tax on capital gains from the sale of ordinary shares or other securities, including ADSs, held in a custodial account in Germany. With regard to the German taxation of capital gains, disbursing agent means a credit institution, a financial services institution, a securities trading company or a securities trading bank (each as defined in the German Banking Act (*Kreditwesengesetz*) and, in each case including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise) that holds the ADSs in custody or administers the ADSs for the investor or conducts sales or other dispositions and disburses or credits the income from the ADSs to the holder of the ADSs. The German statutory law with the exception of ADSs held by an ADS holder holding directly or indirectly through ADSs and shares at least 1% in the company's ordinary share capital, does not create a limited tax liability in Germany so that there should be no obligation to withhold taxes on such capital gains. Further, it is not entirely clear by the German statutory law whether a withholding should be made if and when the (share) ADS holder creates a limited tax liability in Germany with its holding. However, an interpretation circular (*Einzelfragen zur Abgeltungsteuer*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated January 18, 2016 (reference number IV C 1-S2252/08/10004:017) provides that taxes need not to be withheld when the holder of the custody account is not a resident of Germany for German tax purposes and the income is not subject to German taxation. The interpretation circular further states that there is no obligation to withhold such tax even if the non-resident holder holds 1% or more of the share capital of a German company through ADSs and shares. Although this circular is not binding on German tax courts, in practice, the disbursing agents are required to follow the guidance contained in such interpretation circulars. But even if there is no withholding in Germany, the ADS holder is

required to make a tax filing with the German tax authorities if and when it is subject to a limited tax liability in Germany with its capital gains under German domestic tax law.

#### Taxation of capital gains from ADSs-ADS holder with a domicile in Germany

The capital gain from the disposition of ADSs realized by an ADS holder who is tax resident in Germany should be subject to German tax as if the ADS holder owned the underlying Class A shares directly. This is supported by an interpretation circular (*Einzelfragen zur Abgeltungsteuer*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated January 18, 2016 (reference number IV C 1-S2252/08/10004:017) with respect to the limitation on the offsetting of capital loss from ADRs with capital gains from shares and/or ADRs and the exchange of the ADRs into the respective (represented) shares.

#### ADSs held as non-business assets

Gains from the disposal of ADSs by an ADS holder with a tax domicile in Germany and held as non-business assets are, regardless of the holding period, subject to a flat tax on capital investment income at a rate of 25% (plus the solidarity surcharge of 5.5% thereon, i.e. 26.375% in total plus any church tax if applicable) unless the ADS holder applies for the regular, progressive tax rate regime.

The taxable capital gain is computed as the difference between (a) the sale proceeds and (b) the acquisition costs of the ADS and the expenses related directly and economically to the disposal. Dividend payments that are funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) reduce the original acquisition costs; if dividend payments that are funded from the company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceed the acquisition costs, negative acquisition costs, which can increase a capital gain, can arise in case of ADS holders, whose ADS are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump sum deduction of €801 (€1,602 for married couples filing jointly) may be deducted from the entire capital investments income. It is not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from disposals of ADSs or shares may only be offset against capital gains from the disposal of ADSs or shares.

If the disposal of the ADSs is executed by a domestic credit institution, domestic financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of foreign credit and financial services institutions), domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*), and such office pays out or credits the capital gains (a Paying Agent), the tax on the capital gains will under regular circumstances be discharged for the account of the seller by the Paying Agent imposing the withholding tax on investment income at the rate of 26.375% (including the solidarity surcharge thereon) on the capital gain.

However, the ADS holder can apply for his total capital investment income together with his other taxable income to be subject to his progressive income tax rate as opposed to the flat tax on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has been confirmed by a decision by the German Federal Tax Court (*Bundesfinanzhof*)), in this case as well, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump sum deduction. Further, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Paying Agent, the ADS holder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

An automatic procedure for deducting church tax applies unless the ADS holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office; church tax on capital gains is then withheld by the Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld

church tax as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge) is reduced by 26.375% of the church tax to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of ADSs are not subject to the flat tax but to progressive income tax if an ADS holder domiciled in Germany, or, in the event of a munificent transfer, their legal predecessor, or, if the ADSs have been munificently transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal, directly or indirectly held ADSs (and/or shares) that represent at least 1% of the underlying share capital of the company (i.e., a Qualified Holding). In this case the partial income method applies to gains from the disposal of ADSs, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax has to be withheld by a Paying Agent in the case of a Qualified Holding, this does not discharge the tax liability of the ADS holder. Consequently, an ADS holder must declare his capital gains in his income tax return. The withholding tax (including the solidarity surcharge thereon and church tax, if applicable) levied and paid will be credited against the ADS holder's income tax liability as assessed (including the solidarity surcharge thereon and any church tax if applicable) or refunded in the amount of any excess.

#### ADSs held as business assets

Gains from the sale of ADSs held as business assets of an ADS holder with a tax domicile in Germany are not subject to the flat tax. The taxation of the capital gains depends on whether the ADS holder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

#### Corporations

If the ADS holder is a corporation with a tax domicile in Germany, the gains from the disposal of ADSs are, effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon) and trade tax, regardless of the size of the participation and the holding period unless an exception is applicable thereto. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority, in most cases between 7% and approximately 18%). As a rule, capital losses and other profit reductions in connection with ADSs (e.g. from a write-down) cannot be deducted for tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

#### Sole proprietors

If the ADSs are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains from the disposal of the ADSs are subject to progressive income tax (plus the solidarity surcharge thereon) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (partial income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the ADSs belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the ADSs are, in addition, subject to trade tax.

#### Trade tax

Trade tax can be credited against the ADS holder's personal income tax liability, either in full or in part, by means of a lump sum tax credit method depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

#### Partnerships

If the ADS holder is a genuine business partnership or a deemed business partnership (co-entrepreneurship) with a permanent establishment in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the capital gains from the ADSs as contained in the profit share of the partner will be taxed in accordance with the rules applicable to corporations (see "*—Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial income method, see above under "*—Sole*

*proprietors*”). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings retained at the level of the partnership.

In addition, capital gains from the ADSs are subject to trade tax at the level of the partnership if the ADSs are attributed to a domestic permanent establishment of a business operation of the partnership, (i) at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, (ii) currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Capital losses and other profit reductions in connection with the ADSs are currently not deductible for trade tax purposes if they are attributable to the profit share of a corporation; however, 60% of the capital losses are deductible subject to general limitations to the extent such losses are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will be credited, either in full or in part, against his personal income tax by means of a lump sum method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

#### Special treatment of companies in the financial and insurance sectors and pension funds

If credit institutions (*Kreditinstitute*) or financial services institutions (*Finanzdienstleistungsunternehmen*) sell ADSs that are allocable to their trading book pursuant to Section 340e para. 3 of the German Commercial Code (*Handelsgesetzbuch*), they will neither be able to use the partial income method nor have 60% of their gains exempted from taxation nor be entitled to the effective 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, capital gains are fully taxable. The same applies to financial institutions (*Finanzunternehmen*) in the meaning of the German Banking Act if they have acquired the ADSs prior to January 1, 2017 for the purpose of generating profits from short-term proprietary trading or if they have acquired the ADSs after December 31, 2016 and are predominantly owned by banks or financial services providers and have to book the ADSs as current assets (*Umlaufvermögen*) upon acquisition. The preceding sentences apply accordingly for ADSs held in a permanent establishment in Germany by foreign credit institutions, financial service institutions and financial institutions or if the ADSs reflect at least 1% of the share capital of the company. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of ADSs does not apply to ADSs that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

#### Withholding tax

If the disposal of the ADSs is executed by a domestic credit institution, or domestic financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of foreign credit and financial services institutions), domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*), and such office pays out or credits the capital gains (a Paying Agent), a withholding tax, if applicable, at the rate of 26.375% (including the solidarity surcharge) plus church tax, if any, on the capital gains for the account of the seller will be withheld by the Paying Agent. No withholding tax should become due, however, if the investor held directly or indirectly 1% or more in the share capital of the company through ADSs and/or shares at any time during a five-year-period preceding the disposition. In this event, the relevant investor has to file a German tax return.

In case of a Paying Agent, capital gains from ADSs held as business assets are not subject to withholding tax in the same way as ADSs held as non-business assets by an ADS holder (see “—*Taxation of capital gains from ADSs—ADS holder with a domicile in Germany—ADSs held as non-business assets*”). Instead, the Paying Agent will not levy the withholding tax, provided that (i) the ADS holder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the ADSs belong to the domestic business assets of an ADS holder, and the ADS holder declares so to the Paying Agent using the designated official form and certain other requirements are met. If withholding tax is imposed by a Paying Agent, the withholding tax (including the solidarity surcharge thereon and church tax, if applicable) imposed and discharged will be

credited against the income tax or corporate income tax liability (including the solidarity surcharge thereon and church tax, if applicable) or will be refunded in the amount of any excess.

#### Taxation of capital gains from ADSs-Class A shares in exchange of the ADSs

An ADS holder may request from the issuer of the ADSs to receive the Class A shares in exchange for the ADSs. This kind of exchange should not be qualified as a sale of the ADSs followed by an acquisition of the Class A shares, because ADSs should represent a beneficial ownership interest in the underlying shares and the holders of ADSs should for German tax purposes be treated as if they held the shares directly (please refer to “*Item 3 D. Risk factors*” above). This treatment is supported by an interpretation circular (*Einzelfragen zur Abgeltungsteuer*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated January 18, 2016 (reference number IV C 1-S2252/08/10004:017). The income taxation of Class A shares follows the same basic principles as described for the ADSs.

#### *German inheritance and gift tax*

It is unclear whether the German inheritance or gift tax applies to the transfer of ADSs, as the ADR Tax Circular does not refer explicitly to the German Inheritance and Gift Tax Act (*Erbschaftsteuer- und Schenkungsteuergesetz*). However, if German inheritance or gift tax is applicable to ADSs, then, under German law, this transfer would be subject to German gift or inheritance tax if:

- (a) the decedent or donor or heir, beneficiary or other transferee (i) maintained his or her residence or a habitual abode in Germany or had its place of management or registered office in Germany at the time of the transfer, or (ii) is a German citizen who has spent no more than five consecutive years outside Germany without maintaining a residence in Germany or (iii) is a German citizen who serves for a German entity established under public law and is remunerated for his or her service from German public funds (including family members who form part of such person’s household, if they are German citizens) and is only subject to estate or inheritance tax in his or her country of residence or habitual abode with respect to assets located in such country (special rules apply to certain former German citizens who neither maintain a residence nor have their habitual abode in Germany), or
- (b) at the time of the transfer, the ADSs are held by the decedent or donor as business assets forming part of a permanent establishment in Germany or for which a permanent representative in Germany has been appointed, or
- (c) the ADSs subject to such transfer form part of a portfolio that represents at the time of the transfer 10% or more of the registered share capital of the company and that has been held directly or indirectly by the decedent or donor, either alone or together with related persons.

Generally, the transferee may be subject to inheritance or gift tax in Germany and in the jurisdiction where he or she is tax resident if such jurisdiction levies such kind of tax. There are only limited treaties that intend to avoid the potential double taxation. Under the treaty between the Federal Republic of Germany and the United States of America for the avoidance of double taxation with respect to taxes on inheritances and gifts (*Abkommen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten von Amerika zur Vermeidung der Doppelbesteuerung auf dem Gebiet der Nachlass-, Erbschaft- und Schenkungsteuern in der Fassung vom 21. Dezember 2000*), or the United States-Germany Inheritance and Gifts Tax Treaty, and assuming that this treaty applies to ADSs, a transfer of ADSs by gift or upon death is not subject to German inheritance or gift tax if the donor or the transferor is domiciled in the United States within the meaning of the United States-Germany Inheritance and Gift Tax Treaty and is neither a citizen of Germany nor a former citizen of Germany and, at the time of the transfer, the ADSs are not held by the decedent or donor as business assets forming part of a permanent establishment in Germany or for which a permanent representative in Germany has been appointed. Notwithstanding the foregoing, in case the heir, transferee or other beneficiary (i) has, at the time of the transfer, his or her residence or habitual abode in Germany, or (ii) is a German citizen who has spent no more than five (or, in certain circumstances, ten) consecutive years outside Germany without maintaining a residence in Germany or (iii) is a German citizen who serves for a German entity established under public law and is remunerated for his or her service from German public funds (including family members who form part of such person’s household, if they are German citizens) and is only subject to estate or inheritance tax in his or her country of residence or habitual abode with



respect to assets located in such country (or special rules apply to certain former German citizens who neither maintain a residence nor have their habitual abode in Germany), the transferred ADSs are subject to German inheritance or gift tax.

If, in this case, Germany levies inheritance or gift tax on the ADSs with reference to the heir's, transferee's or other beneficiary's residence in Germany or his or her German citizenship, and the United States also levies federal estate tax or federal gift tax with reference to the decedent's or donor's residence (but not with reference to the decedent's or donor's citizenship), the amount of the U.S. federal estate tax or the U.S. federal gift tax, respectively, paid in the United States with respect to the transferred ADSs is credited against the German inheritance or gift tax liability, provided the U.S. federal estate tax or the U.S. federal gift tax, as the case may be, does not exceed the part of the German inheritance or gift tax, as computed before the credit is given, which is attributable to the transferred ADSs. A claim for credit of the U.S. federal estate tax or the U.S. federal gift tax, as the case may be, may be made within one year of the final determination (administrative or judicial) and payment of the U.S. federal estate tax or the U.S. federal gift tax, as the case may be, provided that the determination and payment are made within ten years of the date of death of the decedent or of the date of the making of the gift by the donor. Similarly, U.S. state-level estate or gift tax is also creditable against the German inheritance or gift tax liability to the extent that U.S. federal estate or gift tax is creditable.

#### *Other German taxes*

There are no transfer, stamp or similar taxes which would apply to the purchase, sale or other disposition of ADSs in Germany. Further, no value added tax is currently levied on the purchase or disposal or other forms of transfer of the ADSs; however, an entrepreneur may opt to subject disposals of ADSs, which are in principle exempt from value added tax, to value added tax if the sale is made to another entrepreneur for the entrepreneur's business. Net worth tax (*Vermögensteuer*) is currently not levied in Germany. It is still unclear and not yet decided whether Germany, based on a potential EU Directive, will introduce a Financial Transaction Tax.

### **Material Netherlands tax considerations**

#### *General*

The following is a summary of material Netherlands tax consequences of the acquisition, holding and disposal of our ADSs or Class A shares. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of our ADSs or Class A shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special treatment under applicable law (such as trusts or other arrangements). In view of its general nature, it should be treated with corresponding caution. To the extent this summary relates to legal conclusions under current Netherlands tax law, and subject to the qualifications it contains, it represents the opinion of NautaDutilh N.V., our special Dutch counsel. Holders should consult with their tax advisors with regard to the tax consequences of investing in the ADSs or Class A shares in their particular circumstances. The discussion below is included for general information purposes only. For purposes of Dutch tax law, a holder of ADSs or Class A shares may include an individual or entity who does not have the legal title of these ADSs or Class A shares, but to whom nevertheless the ADSs or Class A shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the ADSs or Class A shares or the income thereof.

Please note that this summary does not describe the tax considerations for:

(i) holders of ADSs or Class A shares if such holders, and in the case of individuals, his or her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in us under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). A holder of securities in a company is considered to hold a substantial interest in such company if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Netherlands Income Tax Act 2001), directly or indirectly holds

(i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) a holder of ADSs or Class A shares that is not an individual for which its shareholdings qualify or qualified as a participation (*deelnemning*) for purposes of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*). A taxpayer's shareholding of 5% or more in a company's nominal paid-up share capital qualifies as a participation. A holder may also have a participation if such holder does not have a shareholding of 5% or more but a related entity (statutorily defined term) has a participation or if the company in which the shares are held is a related entity (statutorily defined term);

(iii) holders of ADSs or Class A shares who are individuals for whom the ADSs or Class A shares or any benefit derived from the ADSs or Class A shares are a remuneration or deemed to be a remuneration for (employment) activities performed by such holders or certain individuals related to such holders (as defined in the Netherlands Income Tax Act 2001); and

(iv) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) and other entities that are, in whole or in part, not subject to or exempt from corporate income tax in the Netherlands, as well as entities that are exempt from corporate income tax in their country of residence, such country of residence being another state of the European Union, Norway, Liechtenstein, Iceland or any other state with which the Netherlands have agreed to exchange information in line with international standards.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, whereby the Netherlands and Dutch law means the part of the Kingdom of the Netherlands located in Europe and its law respectively, as in effect on the date hereof and as interpreted in published case law until this date as available in printed form, without prejudice to any amendment introduced (or to become effective) at a later date and/or implemented with or without retroactive effect. The applicable tax laws or interpretations thereof may change, or the relevant facts and circumstances may change, and such changes may affect the contents of this section, which will not be updated to reflect any such changes.

#### *Dividend withholding tax*

We are required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by us (which withholding tax will not be borne by us, but will be withheld by us from the gross dividends paid on the Class A shares). However, as long as we continue to have our place of management in Germany, and not in the Netherlands, under the Convention between the Federal Republic of Germany and the Netherlands for the avoidance of double taxation with respect to taxes on income of 2012, we will be considered to be exclusively tax resident in Germany and we should not be required to withhold Dutch dividend withholding tax. This exemption from withholding does not apply to dividends distributed by us to a holder who is resident or deemed to be resident in the Netherlands for Dutch income tax purposes or Dutch corporation tax purposes or to holders of ADSs or Class A shares that are neither resident nor deemed to be resident of the Netherlands if the ADSs or Class A shares are attributable to a Netherlands permanent establishment of such non-resident holder, in which events the following applies. See "*Item 3 D. Risk factors —If we pay dividends, we may need to withhold tax on such dividends in both Germany and the Netherlands.*"

Dividends distributed by us to individuals and corporate legal entities who are resident or deemed to be resident in the Netherlands for Netherlands tax purposes ("Netherlands Resident Individuals" and "Netherlands Resident Entities" as the case may be) or to holders of ADSs or Class A shares that are neither resident nor deemed to be resident of the Netherlands if the ADSs or Class A shares are attributable to a Netherlands permanent establishment of such non-resident holder are subject to Netherlands dividend withholding tax at a rate of 15%. The expression "dividends distributed" includes, among other things:

- distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Netherlands dividend withholding tax purposes;

- liquidation proceeds, proceeds of redemption of Class A shares, or proceeds of the repurchase of Class A shares by us or one of our subsidiaries or other affiliated entities to the extent such proceeds exceed the average paid-in capital of those Class A shares as recognized for purposes of Netherlands dividend withholding tax, unless, in case of a repurchase, a particular statutory exemption applies;
- an amount equal to the par value of Class A shares issued or an increase of the par value of Class A shares, to the extent that it does not appear that a contribution, recognized for purposes of Netherlands dividend withholding tax, has been made or will be made; and
- partial repayment of the paid-in capital, recognized for purposes of Netherlands dividend withholding tax, if and to the extent that we have net profits (*zuivere winst*), unless the holders of Class A shares have resolved in advance at a general meeting to make such repayment and the par value of the Class A shares concerned has been reduced by an equal amount by way of an amendment of our articles of association.

Netherlands Resident Individuals and Netherlands Resident Entities can generally credit the Netherlands dividend withholding tax against their income tax or corporate income tax liability. The same applies to holders of ADSs or Class A shares that are neither resident nor deemed to be resident of the Netherlands if the ADSs or Class A shares are attributable to a Netherlands permanent establishment of such non-resident holder.

Pursuant to legislation to counteract "dividend stripping," a reduction, exemption, credit or refund of Netherlands dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner as described in the Netherlands Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*). This legislation targets situations in which a shareholder retains its economic interest in shares but reduces the withholding tax costs on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. The Netherlands State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also apply in the context of a double taxation convention.

#### *Taxes on income and capital gains*

##### Netherlands Resident Individuals

If a holder of ADSs or Class A shares is a Netherlands Resident Individual, any benefit derived or deemed to be derived from the ADSs or Class A shares is taxable at the progressive income tax rates (with a maximum of 51.75%, rate for 2019), if:

- a. the ADSs or Class A shares are attributable to an enterprise from which the Netherlands Resident Individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise, without being an entrepreneur or a shareholder in such enterprise, as defined in the Netherlands Income Tax Act 2001; or
- b. the holder of the ADSs or Class A shares is considered to perform activities with respect to the ADSs or Class A shares that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the ADSs or Class A shares that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of ADSs or Class A shares, such holder will be taxed annually on a deemed, variable return (with a maximum of 5.60% in 2019) of his or her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The ADSs or Class A shares are included as investment assets. A tax-free allowance may be available. Actual benefits derived from the ADSs or Class A shares are as such not subject to Netherlands income tax.

For the net investment assets on January 1, 2019, a deemed return between 1.94% and 5.60% (depending on the amount of such net investment assets on January 2019) will be applied. The deemed, variable return will be adjusted annually on the basis of historic market yields.

### Netherlands Resident Entities

Any benefit derived or deemed to be derived from the ADSs or Class A shares held by Netherlands Resident Entities, including any capital gains realized on the disposal thereof, will be subject to Netherlands corporate income tax at a rate of 19% with respect to taxable profits up to €200,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2019).

### Non-residents of the Netherlands

A holder of ADSs or Class A shares that is neither a Netherlands Resident Entity nor a Netherlands Resident Individual will not be subject to Netherlands taxes on income or on capital gains in respect of any payment under ADSs or the Class A shares or any gain realized on the disposal or deemed disposal of the ADSs or Class A shares, provided that:

- i. such holder does not have an interest in an enterprise or a deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the ADSs or Class A shares are attributable; and
- ii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the ADSs or Class A shares that go beyond ordinary asset management and does not derive benefits from the ADSs or Class A shares that are taxable as benefits from other activities in the Netherlands.

### *Gift and inheritance taxes*

#### Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the ADSs or Class A shares by way of a gift by, or on the death of, a holder of ADSs or Class A shares who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death.

#### Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the ADSs or Class A shares by way of gift by, or on the death of, a holder of ADSs or Class A shares who is neither resident nor deemed to be resident in the Netherlands, unless:

- i. in the case of a gift of ADSs or Class A shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or
- ii. the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of the Netherlands.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident of the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his or her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident of the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

### *Other taxes and duties*

No Netherlands value added tax (*omzetbelasting*) and no Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of ADSs or Class A shares on any payment in consideration for the acquisition, ownership or disposal of the ADSs or Class A shares (other than a

payment for financial services that are not exempt from Netherlands value added tax and that are rendered to the holder of ADSs or Class A shares that is resident in Netherlands for Netherlands tax purposes).

### ***Material U.S. federal income tax considerations***

The following is a discussion of the material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of the ownership and disposition of our ADSs. Other than the discussion relating to whether we qualify as a PFIC, and subject to the qualifications contained herein, the discussion below of U.S. federal income tax laws and the legal conclusions with respect thereto represents the opinion of Latham & Watkins LLP, our special U.S. counsel. This discussion applies only to U.S. Holders that acquired ADSs in a prior offering, hold such ADSs as “capital assets” (within the meaning of Section 1221 of the Code) and that have the U.S. dollar as their functional currency. This discussion is based on the Internal Revenue Code of 1986, as amended, the Code, the U.S. Treasury regulations promulgated thereunder, administrative rulings of the IRS and judicial decisions, each as in effect as of the date hereof. All of the foregoing authorities are subject to change or differing interpretations, possibly with retroactive effect, and any such change or differing interpretation could affect the tax consequences described below. This discussion does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may be relevant to holders with respect to their ownership and disposition of ADSs. Accordingly, it is not intended to be, and should not be construed as, tax advice. This summary does not address any consequences under any U.S. federal tax laws other than those pertaining to the income tax (e.g., estate or gift taxes), any alternative minimum tax consequences, any consequences under the Medicare tax imposed at 3.8% on certain investment income, any withholding required pursuant to the Foreign Account Tax Compliance Act of 2010 (including the U.S. Treasury regulations promulgated thereunder and intergovernmental agreements entered into in connection therewith) or any state, local or non-U.S. tax consequences.

The following discussion also does not address U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such holder’s particular circumstances or to U.S. Holders subject to special rules under the U.S. federal income tax laws such as:

- banks and other financial institutions;
- regulated investment companies, real estate investment trusts and grantor trusts;
- insurance companies;
- broker-dealers;
- traders in securities that elect to mark to market;
- tax-exempt entities or any individual retirement account or Roth IRA as defined in Sections 408 and 408A of the Code, respectively;
- U.S. expatriates;
- persons holding our ADSs as part of a straddle, hedging, constructive sale, conversion or other integrated transaction;
- persons that actually or constructively own 10% or more of the voting power or value of our stock;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States or persons that are not U.S. Holders (as defined below);
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our ADSs being taken into account in an applicable financial statement;
- persons who acquired our ADSs pursuant to the exercise of any employee share option or otherwise as compensation; or
- partnerships or other pass-through entities or arrangements treated as such (or persons holding our ADSs through partnerships or other pass-through entities or arrangements treated as such).

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADSs.**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of an ADS that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) the administration of the trust is subject to the primary supervision of a court within the United States and one or more U.S. persons have authority to control all substantial decisions of the trust, or (2) a valid election is in effect under applicable U.S. Treasury regulations to treat the trust as a U.S. person.

The tax treatment of a partner in a partnership or other entity or arrangement taxable as a partnership for U.S. federal income tax purposes that holds our ADSs will depend on such partner’s status and the activities of the partnership.

The discussion below assumes the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. For U.S. federal income tax purposes, a U.S. Holder of ADSs should be treated as the beneficial owner of the underlying Class A shares represented by the ADSs. Accordingly, no gain or loss should be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security. Accordingly, the creditability of any foreign taxes paid and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders (as discussed below), could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs and us if as a result of such actions the holders of ADSs are not properly treated as beneficial owners of underlying Class A shares.

*Distributions*

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of distributions made with respect to our ADSs (including the amount of any foreign taxes withheld therefrom, if any, and excluding certain pro rata distributions of our Class A Shares or other similar equity interests) will be includable in a U.S. Holder’s gross income, in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes, as dividend income, to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. So long as we do not compute earnings and profits under U.S. federal income tax principles, all such distributions made with respect to our ADSs should be treated as dividends. Dividends on our ADSs will not be eligible for the dividends-received deduction allowed under the Code to U.S. Holders that are corporations.

With respect to non-corporate U.S. Holders, dividends on our ADSs may qualify as “qualified dividend income” which is eligible for reduced rates of taxation provided that (1) we are eligible for the benefits of the income tax treaty between the United States and the federal republic of Germany or with respect to any dividend paid on ADSs which are readily tradable on an established securities market in the United States, (2) we are not a PFIC (as discussed below) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) the U.S. Holder satisfies certain holding period requirements, and (4) the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs. Our ADSs are listed on Nasdaq, which is an established securities market in

the United States. The ADSs should be considered readily tradable on Nasdaq. However, there can be no assurance that the ADSs will be considered readily tradable on an established securities market in the United States in later years.

The amount of any distribution on our ADSs paid in foreign currency will be equal to the U.S. dollar value of such currency on the date such distribution is includible in income by the recipient, regardless of whether the payment is in fact converted into U.S. dollars at that time. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

#### *Sale or other taxable disposition of our ADSs*

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of ADSs, a U.S. Holder will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on such disposition and such U.S. Holder's adjusted tax basis in such ADSs. Any such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period for such ADSs exceeds one year. Non-corporate U.S. Holders (including individuals) are currently subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

If the consideration received for our ADSs is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received translated at the spot rate of exchange on the date of disposition. If our ADSs are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Internal Revenue Service), such holder will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If our ADSs are not treated as traded on an established securities market, or the relevant U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, such U.S. Holder will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of disposition (as determined above) and the U.S. dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder's initial tax basis in our ADSs will equal the cost of such ADSs. If a U.S. Holder used foreign currency to purchase our ADSs, the cost of our ADSs will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. If our ADSs are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such holder will determine the U.S. dollar value of the cost of such ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

#### *Foreign taxes*

Foreign taxes (if any) withheld or paid on dividends on, or upon the sale or other taxable disposition of, our ADSs may, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such U.S. Holder's U.S. federal income tax liability under the U.S. foreign tax credit rules or, at such holder's election, eligible for deduction in computing such holder's U.S. federal taxable income. If a refund of any such foreign tax is available to a U.S. Holder under the laws of the country imposing such tax or under an applicable income tax treaty, the amount of such tax that is refundable will not be eligible for the credit or deduction against the U.S. Holder's U.S. federal income tax liability. Subject to the following sentence, dividends paid on our ADSs will constitute foreign source income and generally will be considered "passive category" income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. However, if we are a "United States-owned foreign corporation," solely for foreign tax credit purposes, a portion of the dividends allocable to our U.S. source earnings and profits may be re-characterized as U.S. source. A "United States-owned foreign corporation" is any foreign corporation in which U.S. persons own, directly or indirectly, 50% or more (by vote or by value) of the stock. United States-owned foreign corporations with less than 10% of earnings and profits attributable to sources within the United States are excepted from these rules. We are currently a United States-owned foreign corporation. As a result, so long as 10% or more of our earnings and profits are attributable to sources within the United States, a portion of the dividends allocable to our U.S. source earnings and profits will be treated as U.S. source. In addition, any gain from

the sale or other taxable disposition of ADSs by a U.S. Holder will constitute U.S. source income. A U.S. Holder may not be able to offset any foreign tax withheld or paid as a credit against U.S. federal income tax imposed on that portion of any dividends or gain that is U.S. source unless the U.S. Holder has foreign source income or gain in the same category from other sources. The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex, and U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

#### *Passive Foreign Investment Company*

Notwithstanding the foregoing, certain adverse U.S. federal income tax consequences could apply to a U.S. Holder if we are treated as a PFIC for any taxable year during which such U.S. Holder holds ADSs. We would be classified as a PFIC for any taxable year if, after the application of certain look-through rules, either: (1) 75% or more of our gross income for such year is “passive income” (as defined in the relevant provisions of the Code), or (2) 50% or more of the value of our assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, “passive income” includes, subject to certain exceptions, dividends, interest, royalties, rents, annuities, gains from commodities and securities transactions, net gains from the sale or exchange of property producing such passive income, net foreign currency gains and amounts derived by reason of the temporary investment of funds.

Based on the bases of our assets, the market price of our ADSs and the composition of our income, assets and operations, we do not expect to be treated as a PFIC for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. However, the application of the PFIC rules to us may be subject to ambiguity. In addition, this is a factual determination that must be made annually after the close of each taxable year. Therefore, there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. Furthermore, because PFIC status is a factual determination based on actual results for the entire taxable year, our U.S. counsel expresses no opinion with respect to our PFIC status and expresses no opinion with respect to our expectations contained in this paragraph.

If we were classified as a PFIC for any taxable year during which a U.S. Holder held ADSs, such holder would be subject to special tax rules with respect to any “excess distribution” that it receives in respect of our ADSs and any gain it realizes from a sale or other disposition (including a pledge) of our ADSs, unless such holder makes a “mark-to-market” election as discussed below. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for our ADSs;
- the amount allocated to the current taxable year, and any taxable year in such holder’s holding period prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, dividend distributions made to such holder will not qualify for the lower rates of taxation applicable to long-term capital gains discussed above under “—*Distributions.*”

A U.S. Holder will be required to make an annual filing with the Internal Revenue Service if such holder holds our ADSs in any year in which we are classified as a PFIC.

If we are a PFIC for any year during which a U.S. Holder holds our ADSs, we will continue to be treated as a PFIC with respect to such holder for all succeeding years during which the holder holds our ADSs. If we cease to be a PFIC, such a U.S. Holder may be able to avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to our ADSs. If such election is made, the U.S. Holder will be deemed to have sold the ADSs it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described above. After the deemed sale election, the U.S. Holder’s ADSs with respect to which the deemed sale election was made will not be treated as ADSs in a PFIC unless we subsequently become a PFIC.



If a U.S. Holder is eligible to and does make a mark-to-market election, such holder will include as ordinary income the excess, if any, of the fair market value of our ADSs at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of our ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of our ADSs will be treated as ordinary income. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of our ADSs.

A timely election to treat us as a qualified electing fund under the Code would result in an alternative treatment. However, we do not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election.

The U.S. federal income tax rules relating to PFICs are complex. Prospective U.S. investors are urged to consult their own tax advisors with respect to the application of the PFIC rules to their investment in the ADSs.

#### *U.S. information reporting and backup withholding*

Dividend payments with respect to our ADSs and proceeds from the sale, exchange or redemption of our ADSs may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number on a properly completed Internal Revenue Service Form W-9 or otherwise properly establishes an exemption from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, if any, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund and furnishing any required information to the Internal Revenue Service.

#### *Foreign financial asset reporting*

Individuals that own “specified foreign financial assets” with an aggregate value in excess of certain threshold amounts are required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non-U.S. persons, (2) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (3) interests in foreign entities. Our ADSs may be subject to these rules. Additionally, under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of this requirement to their ownership of our ADSs.

**THE DISCUSSION ABOVE DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR ADSS UNDER THE INVESTOR’S CIRCUMSTANCES.**

#### **F. Dividends and paying agents**

Not applicable.

**G. Statements by experts**

Not applicable.

**H. Documents on display**

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. The SEC maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Our filings made with the SEC are available on the SEC's website. We also make available on the investor relations section of our website, free of charge, our annual reports on Form 20-F and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is [www.ir.trivago.com](http://www.ir.trivago.com). The information contained on our website is not incorporated by reference in this document.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and major shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

**I. Subsidiary information**

Not applicable.

## **Item 11: Quantitative and qualitative disclosures about market risk**

See “Item 5 Operating and financial review and prospects—Quantitative and qualitative disclosures about market risk.”

## **Item 12: Description of securities other than equity securities**

### **A. Debt securities**

Not applicable.

### **B. Warrants and rights**

Not applicable.

### **C. Other securities**

Not applicable.

## D. American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents one Class A share (or a right to receive one Class A share) deposited with Deutsche Bank AG, or any successor, as custodian for the depositary. A deposit agreement among us, the depositary and you the ADS holders sets out ADS holder rights as well as the rights and obligations of the depositary. A copy of the Agreement is incorporated by reference as an exhibit to this annual report.

### **Fees and Expenses**

Pursuant to the terms of the deposit agreement, the holders of ADSs will be required to pay the following fees:

<b>Service</b>	<b>Fees</b>
<ul style="list-style-type: none"><li>To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)</li></ul>	Up to US\$0.05 per ADS issued
<ul style="list-style-type: none"><li>Cancellation of ADSs, including the case of termination of the deposit agreement</li></ul>	Up to US\$0.05 per ADS cancelled
<ul style="list-style-type: none"><li>Distribution of cash dividends</li></ul>	Up to US\$0.02 per ADS held
<ul style="list-style-type: none"><li>Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements</li></ul>	Up to US\$0.02 per ADS held
<ul style="list-style-type: none"><li>Distribution of ADSs pursuant to exercise of rights.</li></ul>	Up to US\$0.02 per ADS held
<ul style="list-style-type: none"><li>Distribution of securities other than ADSs or rights to purchase additional ADSs</li></ul>	Up to US\$0.02 per ADS held
<ul style="list-style-type: none"><li>Depositary services</li></ul>	Up to US\$0.02 per ADS held on the applicable record date(s) established by the depositary bank

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing Class A shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide for-fee services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

## PART II

### Item 13: Defaults, dividend arrearages and delinquencies

None.

### Item 14: Material modifications to the rights of securities holders

None.

### Item 15: Control and procedures

#### A. Disclosure controls and procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2018, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives.

#### B. Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective control over financial reporting described in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2018, as stated in their report which is included below.

#### ***Limitations on Controls***

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

**C. Attestation report of the registered public accounting firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of trivago N.V.

**Opinion on Internal Control over Financial Reporting**

We have audited trivago N.V.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, trivago N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of trivago N.V. as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and our report dated March 6, 2019 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Marcus Senghaas

Wirtschaftsprüfer

(German Public Auditor)

/s/ Nicole Dietl

Wirtschaftsprüferin

(German Public Auditor)

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Cologne, Germany

March 6, 2019

**D. Changes in internal control over financial reporting**

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Item 16A: Audit committee financial expert

Mr. Hiren Mankodi, an independent director and a member of the Audit Committee, qualifies as an “audit committee financial expert,” as defined in Item 16 A. of Form 20-F and as determined by our supervisory board.

## Item 16B: Code of ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, members of our senior management and members of our management board and supervisory board, including those members of our senior management responsible for financial reporting. Our code of ethics is posted on our company website at: <http://ir.trivago.com/phoenix.zhtml?c=254450&p=irol-govHighlights>. We will disclose any substantive amendments to the code of business conduct and ethics, or any waiver of its provisions, on our website. The reference to our website does not constitute incorporation by reference of the information contained at or available through our website.

## Item 16C: Principal accountant fees and services

The following table sets forth, for each of the years indicated, the fees billed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, our independent registered public accounting firm and the percentage of each of the fees out of the total amount billed. Audit fees also include fees for services rendered for the audit of our financial statements but charged to our controlling shareholder.

(in thousands)	Year ended December 31,			
	2017	%	2018	%
Audit Fees	€ 4,014	99.9%	€ 2,866	99.9%
Audit-related Fees				
Tax Fees	3	0.1%	3	0.1%
All Other Fees				
Total	€ 4,017		€ 2,869	

**Audit Fees** are defined as the standard audit work that needs to be performed each year in order to issue opinions on our consolidated financial statements and to issue reports on our local statutory financial statements. Also included are services that can only be provided by our auditor, such as reviews of quarterly financial results, consents and comfort letters and any other audit services required for SEC or other regulatory filings.

**Audit Related Fees** include those other assurance services provided by the independent auditor but not restricted to those that can only be provided by the auditor signing the audit report.

**Tax Fees** relate to the aggregate fees for services rendered on tax compliance.

**All Other Fees** are any additional amounts billed for products and services provided by the independent auditor.



### ***Pre-Approval Policies and Procedures***

Our Audit Committee has adopted a policy that requires pre-approval of all services performed for us by our independent registered public accounting firm, effective for the period following the completion of our IPO. The policy was adopted on December 9, 2016. The Audit Committee pre-approval function can be delegated to the Audit Committee Chairman or another Audit Committee member outside of meetings. All services provided by our independent registered public accounting firm during the years ended December 31, 2018 and December 31, 2017 were approved in advance by either the Audit Committee or members thereof to whom authority had been delegated, in accordance with the Audit Committee's pre-approval policy.

## **Item 16D: Exemptions from the listing requirements and standards for audit committees**

Mr. Alan Pickerill has observer status on our Audit Committee, and he is the Chief Financial Officer of Expedia Group, Inc., our indirect majority shareholder. He relies on the exemption provided in Rule 10A-3(b)(1)(iv) (D) of the Exchange Act. We do not believe that his status as an affiliate materially adversely affects the ability of our Audit Committee to act independently or to satisfy the other requirements of the Nasdaq listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

## **Item 16E: Purchases of equity securities by the issuer and affiliated purchasers**

None.

## **Item 16F: Change in registrant's certifying accountant**

None.

## Item 16G: Corporate governance

The Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the SEC, requires foreign private issuers, including our company, to comply with various corporate governance practices. In addition, Nasdaq rules provide that foreign private issuers may follow home country practice in lieu of the Nasdaq corporate governance standards, subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws. In addition to the home country practices described under Item 6C. of this annual report, the home country practices followed by our company in lieu of Nasdaq rules are described below:

- We do not intend to follow the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock. Although we must provide shareholders with an agenda and other relevant documents for the general meeting of shareholders, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands, thus our practice will vary from the requirement of Nasdaq Listing Rule 5620 (b).
- We do not intend to follow the requirements of Nasdaq Listing Rule 5605(d), which requires an issuer to have a compensation committee that, inter alia, consists entirely of independent directors, and Nasdaq Listing Rule 5605(e), which requires an issuer to have independent director oversight of director nominations.
- We do not intend to follow the requirements of Nasdaq Listing Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with certain events, such as the acquisition of stock or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements.

Because we are a foreign private issuer, our management board members, supervisory board members and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

The Dutch Corporate Governance Code, or DCGC, contains both principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings, financial reporting, auditors, disclosure, compliance and enforcement standards. As a Dutch company, we are subject to the DCGC and are required to disclose in our annual report, filed in the Netherlands, whether we comply with the provisions of the DCGC. If we do not comply with the provisions of the DCGC (for example, because of a conflicting Nasdaq requirement or otherwise), we must list the reasons for any deviation from the DCGC in our Dutch annual board report.

We acknowledge the importance of good corporate governance. However, at this stage, we do not comply with all the provisions of the DCGC, to a large extent because such provisions conflict with or are inconsistent with the corporate governance rules of Nasdaq and U.S. securities laws that apply to us, or because such provisions do not reflect best practices of international companies listed on Nasdaq.

The best practice provisions we do not apply include the following. We may deviate from additional best practice provisions in the future. Such deviations will be disclosed in our Dutch annual board report.

In order to safeguard independence of the supervisory board, the DCGC recommends that:

- for each ten percent shareholder or group of affiliated shareholders, there is at most one supervisory board member who can be considered to be a shareholder representative;
- there is at most one non-independent supervisory board member who cannot be considered as independent due to circumstances other than being a shareholder representative; and

- the total number of non-independent supervisory board members should account for less than half of the total number of supervisory board members.

A majority of our supervisory board members is independent. It is our view that given the nature of our business and the practice in our industry and considering our shareholder structure, it is justified that only 4 supervisory board members will be independent. We may need to deviate from the DCGC's independence definition for supervisory board members either because such provisions conflict with or are inconsistent with the corporate governance rules of Nasdaq and U.S. securities laws that apply to us, or because such provisions do not reflect best practices of global companies listed on Nasdaq. We may need to further deviate from the DCGC's independence definition for supervisory board members when looking for the most suitable candidates. For example, a future supervisory board candidate may have particular knowledge of, or experience in our industry, but may not meet the definition of independence in the DCGC. As such background is very important to the efficacy of our supervisory board, our supervisory board may decide to nominate candidates for appointment who do not fully comply with the criteria as listed under best practice provision 2.1.8 of the DCGC.

The DCGC recommends that our supervisory board establish a selection and appointment committee. Because we are a "controlled company" within the meaning of the corporate governance standards of The NASDAQ Global Select Market, we do not believe that a selection and appointment committee will be beneficial for our governance structure. We have not established and do not intend to establish a selection and appointment committee.

The DCGC further recommends that the compensation committee is not chaired by the chairman of the supervisory board. The chairman of our supervisory board is also the chairman of our compensation committee. Given the chairman's expertise and vision, we consider him to be the best person for the job.

Consistent with corporate practice for non-executive members of a board in the United States, the terms of office of our supervisory directors run and end simultaneously. Our supervisory board continuously monitors succession of its members as well as the managing directors. In light of this, we have not drawn up a retirement schedule. Under our articles of association, members of the management board and the supervisory board shall be appointed on the basis of a binding nomination prepared by the supervisory board. This means that the nominee shall be appointed to the management board or supervisory board, as the case may be, unless the general meeting of shareholders strips the binding nature of the nomination (in which case a new nomination shall be prepared for a subsequent general meeting of shareholders). Our articles of association will provide that the general meeting of shareholders can only pass such resolution by a two-thirds majority representing at least half of the issued share capital. However, the DCGC recommends that the general meeting can pass such resolution by simple majority, representing no more than one-third of the issued share capital.

Under our articles of association, members of the management board and the supervisory board can only be dismissed by the general meeting of shareholders by simple majority, provided that the supervisory board proposes the dismissal. In other cases, the general meeting can only pass such resolution by a two-thirds majority representing at least half of the issued share capital. Similar to what has been described above, the DCGC recommends that the general meeting of shareholders can pass a resolution to dismiss a member of the management board or supervisory board by simple majority, representing no more than one-third of the issued share capital.

The DCGC recommends against providing equity awards as part of the compensation of a supervisory board member. However, the company may wish to deviate from this recommendation and grant equity awards to its supervisory board members.

The DCGC further recommends that the management board appoints the senior internal auditor and the company secretary, subject to approval by the supervisory board. We have simplified this process as our CFO appoints the senior internal auditor and the company secretary, and allow the audit committee to express its views regarding the senior internal auditor.

The DCGC recommends having a diversity policy for the composition of the management board and supervisory board. We acknowledge the importance of diversity in the broadest sense and consider aspects

of diversity relevant to our company. Although the supervisory board has not set specific targets with respect to diversity, the supervisory board believes that it is important for its members to represent diverse viewpoints and further that the personal backgrounds and qualifications of the managing and supervisory board members, considered as a group, should provide a significant composite mix of experience, knowledge and abilities.

The DCGC recommends that the compensation report includes, among other things, statements on (i) scenario analyses that are carried out relating to director compensation, (ii) pay ratios between management and an average or median employee salary within the company and (iii) the relationship between the variable part of a director's compensation and the contribution of such compensation to long-term value creation. We have engaged a specialized compensation consultant to provide us with information regarding compensation program and related disclosures, and are working on implementing the foregoing described DCGC disclosure recommendations.

## **Item 16H: Mine safety disclosure**

Not applicable.

## **PART III**

### **Item 17: Financial statements**

See “Item 18 Financial statements.”

### **Item 18: Financial statements**

See the Financial statements beginning on page F-1.

## Item 19: Exhibits

The following exhibits are filed as part of this annual report:

Exhibit Number	Exhibit Description	Incorporated by Reference			Provided Herewith	
		Form		Number		File Number
1.1	<a href="#">English translation of Form of Articles of Association of trivago N.V.</a>	F-1	11/14/2016	3.3	333-214591	
1.2	<a href="#">Amended Management Board Rules.</a>					X
1.3	<a href="#">Amended Supervisory Board Rules.</a>	F-3	4/5/2018	3.3	333-224151	
2.1	<a href="#">Amended and Restated Shareholders' Agreement of trivago N.V.</a>	F-3	4/5/2018	4.1	333-224151	
2.2	<a href="#">Amendment to Amended and Restated Shareholders' Agreement of trivago N.V.</a>	20-F	3/6/2017	2.2	001-37959	
2.2(a)	<a href="#">Second Amendment to Amended and Restated Shareholders' Agreement of trivago N.V.</a>					X
2.3	<a href="#">IPO Structuring Agreement by and among the Founders, Expedia Lodging Partner Services S.à.r.l., travel B.V. and trivago GmbH.</a>	F-3	4/5/2018	4.2	333-224151	
2.4	<a href="#">Side letter to IPO Structuring Agreement</a>	20-F	3/6/2017	2.4	001-37959	
2.5	<a href="#">Contribution Agreement by and among the Founders, trivago GmbH, trivago N.V., Expedia Lodging Partner Services S.à.r.l and Expedia, Inc.</a>	20-F	3/6/2017	2.5	001-37959	
2.6	<a href="#">Deposit Agreement.</a>	F-3	4/5/2018	4.4	333-224151	
2.7	Form of American Depositary Receipt (included in Exhibit 2.6).	F-1/A	12/5/2016	4.4	333-214591	
4.1	<a href="#">Form of management board member Indemnification Agreement for management board members as of November 2016.</a>	F-1/A	12/5/2016	10.1	333-214591	
4.2	<a href="#">Letter Agreement Regarding Uncommitted Credit Facility by and between trivago GmbH and Bank of America Merrill Lynch International Ltd., dated September 5, 2014, as amended December 19, 2014.</a>	F-1/A	12/5/2016	10.2	333-214591	
4.3	<a href="#">Lease Agreement between BF Real I.S. / DB Real Estate Immobilienverwaltung Objekte and trivago GmbH, dated March 1, 2015.</a>	F-1/A	12/5/2016	10.3	333-214591	
4.4	<a href="#">English translation of Commercial Lease Agreement between Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH and trivago GmbH, dated September 15, 2011.</a>	F-1/A	12/5/2016	10.4	333-214591	

Exhibit Number	Exhibit Description	Incorporated by Reference			Provided Herewith
		Form	Number	File Number	
4.5	<a href="#">English translation of Commercial Lease Agreement between Allianz Sky Office Düsseldorf and trivago GmbH, dated November 26, 2013.</a>	F-1/A	12/5/2016	10.5 333-214591	
4.6	<a href="#">English translation of Lease Agreement between Jupiter EINHUNDERTVIERUNDFÜNFZIG GmbH and trivago GmbH, dated July 23, 2015.</a>	F-1/A	12/5/2016	10.6 333-214591	
4.7	<a href="#">Data Hosting Services Agreement by and between Expedia, Inc. and trivago GmbH, dated May 1, 2013.</a>	F-1/A	12/5/2016	10.7 333-214591	
4.8	<a href="#">Services and Support Agreement by and between Expedia Lodging Partner Services Sarl and trivago GmbH, dated September 1, 2016.</a>	F-1/A	12/5/2016	10.8 333-214591	
4.9	<a href="#">Amended and Restated trivago N.V. 2016 Omnibus Incentive Plan.</a>				X
4.10	<a href="#">Form of Indemnification Agreement for supervisory board, management board and certain other officers.</a>	F-1/A	12/5/2016	10.11 333-214591	
4.11	<a href="#">Joint Cross-Border Merger Plan between trivago N.V. and trivago GmbH, dated June 29, 2017.</a>	F-3	4/5/2018	2.1 333-224151	
4.12	<a href="#">Joint Explanatory Report to a Cross-Border Merger Plan between trivago N.V. and trivago GmbH, dated June 29, 2017.</a>	F-3	4/5/2018	2.2 333-224151	
4.13	<a href="#">Dutch Notarial Deed of Cross-Border Merger between trivago N.V. and trivago GmbH, dated September 6, 2017.</a>	F-3	4/5/2018	2.3 333-224151	
8.1	<a href="#">List of Subsidiaries.</a>				X
12.1	<a href="#">Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
12.2	<a href="#">Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
13.1	<a href="#">Certification by Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				X
15.1	<a href="#">Consent of Ernst &amp; Young GmbH Wirtschaftsprüfungsgesellschaft.</a>				X
101.INS	<a href="#">XBRL Instance Document.</a>				X
101.SCH	<a href="#">XBRL Taxonomy Extension Schema Document.</a>				X
101.CAL	<a href="#">XBRL Taxonomy Extension Calculation Linkbase Document.</a>				X
101.DEF	<a href="#">XBRL Taxonomy Extension Definition Linkbase Document.</a>				X
101.LAB	<a href="#">XBRL Taxonomy Extension Label Linkbase Document.</a>				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Provided Herewith
		Form	Number	File Number	
101.PRE	<a href="#">XBRL Taxonomy Extension Presentation Linkbase Document.</a>				X



## Signatures

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

trivago N.V.

By: /s/ Rolf Schrömgens  
Rolf Schrömgens  
*Chief Executive Officer, Managing  
Director*

Date: 3/6/2019

By: /s/ Axel Hefer  
Axel Hefer  
*Chief Financial Officer, Managing  
Director*

Date: 3/6/2019

# Index to financial statements

## trivago N.V.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of trivago N.V.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of trivago N.V. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 6, 2019 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcus Senghaas

/s/ Nicole Dietl

Wirtschaftsprüfer

Wirtschaftsprüferin

(German Public Auditor)

(German Public Auditor)

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

We have served as the Company's auditor since 2014

Cologne, Germany

March 6, 2019

**Consolidated Financial Statements**  
**trivago N.V.**

# trivago N.V.

## Consolidated statements of operations

(€ thousands, except per share amounts)

	Year ended December 31,		
	2016	2017	2018
Revenue	€ 485,942	€ 667,802	€ 583,395
Revenue from related party	268,227	367,581	331,421
Total revenue	754,169	1,035,383	914,816
Costs and expenses:			
Cost of revenue, including related party, excluding amortization <sup>(1)(3)</sup>	4,273	5,930	5,435
Selling and marketing <sup>(1)(3)</sup>	673,224	946,925	805,633
Technology and content, including related party <sup>(1)(2)(3)</sup>	51,658	52,232	66,904
General and administrative, including related party <sup>(1)(2)(3)</sup>	55,602	47,444	54,326
Amortization of intangible assets <sup>(2)</sup>	13,857	3,220	1,684
Operating loss	(44,445)	(20,368)	(19,166)
Other income/(expense)			
Interest expense	(137)	(44)	(1,839)
Gain on deconsolidation of entity	—	2,007	—
Other, net	(139)	592	539
Total other income/(expense), net	(276)	2,555	(1,300)
Loss before income taxes	(44,721)	(17,813)	(20,466)
Expense/(benefit) for income taxes	6,670	(4,764)	1,086
Net loss before equity method investment	(51,391)	(13,049)	(21,552)
Income from equity method investment	—	—	63
<b>Net loss</b>	<b>(51,391)</b>	<b>(13,049)</b>	<b>(21,489)</b>
Net loss attributable to noncontrolling interests	710	568	—
<b>Net loss attributable to trivago N.V.</b>	<b>€ (50,681)</b>	<b>€ (12,481)</b>	<b>€ (21,489)</b>

### Earnings per share attributable to trivago N.V. available to common stockholders<sup>(4)</sup>:

Basic and diluted	€ 0.00	€ (0.05)	€ (0.06)
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### Shares used in computing earnings per share:

Basic and diluted	237,811	274,666	350,852
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### (1) Includes share-based compensation as follows:

Cost of revenue	€ 737	€ 115	€ 184
Selling and marketing	10,913	3,514	3,273
Technology and content	15,816	3,614	5,260
General and administrative	26,256	8,782	11,985

### (2) Includes amortization as follows:

Amortization of internal use software and website development costs included in technology and content	€ 1,410	€ 1,742	€ 2,214
Amortization of internal use software costs included in general and administrative	—	408	785
Amortization of acquired technology included in amortization of intangible assets	3,750	59	278

### (3) Includes related party expense as follows:

Cost of revenue	€ —	€ 68	€ 59
Selling and marketing	—	—	42
Technology and content	—	361	700
General and administrative	5,128	109	9

**(4)** Represents earnings per share of Class A and Class B common stock and weighted-average shares of Class A and Class B common stock outstanding for the period from December 16, 2016 to December 31, 2016, the period following the capitalization of the parent company and IPO, and for the period from January 1, 2017 through December 31, 2018 (see Note 14).

*We have reclassified certain amounts related to our prior period results to conform to current period presentation. See notes to trivago N.V. consolidated financial statements*

# trivago N.V.

## Consolidated statements of comprehensive income (loss)

(in thousands)

	Year ended December 31,		
	2016	2017	2018
Net loss	€ (51,391)	€ (13,049)	€ (21,489)
Other comprehensive income (loss)			
Currency translation adjustments	161	(201)	91
Total other comprehensive income (loss)	161	(201)	91
<b>Comprehensive loss</b>	<b>(51,230)</b>	<b>(13,250)</b>	<b>(21,398)</b>
Less: Comprehensive loss attributable to noncontrolling interests	581	568	—
<b>Comprehensive loss attributable to trivago N.V.</b>	<b>€ (50,649)</b>	<b>€ (12,682)</b>	<b>€ (21,398)</b>

See notes to trivago N.V. consolidated financial statements

# trivago N.V.

## Consolidated balance sheets

(€ thousands, except per share amounts)

	As of December 31,	
	2017	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	€ 190,201	€ 161,871
Restricted cash	103	122
Accounts receivable, less allowance of €231 and €250 at December 31, 2017 and December 31, 2018, respectively	43,062	54,981
Accounts receivable, related party	39,063	39,655
Tax receivable	2,092	281
Prepaid expenses and other current assets	18,758	8,346
<b>Total Current Assets</b>	<b>293,279</b>	<b>265,256</b>
Property and equipment, net	114,471	162,001
Other long-term assets	6,955	6,148
Intangible assets, net	173,294	171,609
Goodwill	490,455	490,529
<b>TOTAL ASSETS</b>	<b>€ 1,078,454</b>	<b>€ 1,095,543</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	€ 51,307	€ 33,656
Income taxes payable	3,428	1,221
Deferred revenue	8,941	7,863
Payroll liabilities	5,580	8,531
Accrued expenses and other current liabilities	9,131	9,650
<b>Total Current Liabilities</b>	<b>78,387</b>	<b>60,921</b>
Financing obligations	92,322	127,705
Deferred income taxes	48,305	46,550
Other long-term liabilities	5,465	6,784
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Class A common stock, €0.06 par value - 700,000,000 shares authorized, 30,916,474 and 42,559,884 shares issued and outstanding as of December 31, 2017 and December 31, 2018, respectively	1,855	2,554
Class B common stock, €0.60 par value - 320,000,000 shares authorized, 319,799,968 and 308,687,967 shares issued and outstanding as of December 31, 2017 and December 31, 2018, respectively	191,880	185,213
Reserves	730,431	757,262
Contribution from Parent	122,307	122,307
Accumulated other comprehensive loss	(180)	(89)
Accumulated deficit	(192,318)	(213,664)
Total stockholders' equity attributable to trivago N.V.	853,975	853,583
Noncontrolling interest	—	—
Total stockholders' equity	853,975	853,583
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>€ 1,078,454</b>	<b>€ 1,095,543</b>

We have reclassified certain amounts related to our prior period results to conform to current period presentation. See notes to trivago N.V. consolidated financial statements



# trivago N.V.

## Consolidated statements of changes in equity

(in thousands)

Description	Subscribed capital	Class A common stock	Class B common stock	Reserves	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Contribution from Parent	Noncontrolling interest	Total members' equity
Balance at January 1, 2016	€ 48	€ —	€ —	€ 695,871	€ (129,156)	€ (12)	€ 55,529	€ —	€ 622,280
Net loss prior to IPO (excludes €952 of net loss attributable to redeemable noncontrolling interest holders)					(51,581)				(51,581)
Other comprehensive income (net of tax)						33			33
Settlement of options exercised	1			4,929					4,930
Adjustment to the fair value of redeemable noncontrolling interests				(995)					(995)
Contribution from Parent							4,185		4,185
Share-based compensation expense prior to IPO				2,465			62,486		64,951
Corporate reorganization	(49)	552	125,405	(344,914)				219,006	—
Dividends to noncontrolling interest holder				(170)					(170)
Issuance of common stock, net of issuance costs of €4,921		1,250		201,671					202,921
Changes in ownership of noncontrolling interests				19,478				(19,478)	—
Net income subsequent to IPO (excludes €43 of net loss attributable to redeemable noncontrolling interest holders)					900			285	1,185
Share-based compensation expense subsequent to IPO				459					459
Reclassification of option liability to reserves				4,893					4,893
Changes in ownership of redeemable noncontrolling interests				980					980
Balance at December 31, 2016	€ —	€ 1,802	€ 125,405	€ 584,667	€ (179,837)	€ 21	€ 122,200	€ 199,813	€ 854,071
Net loss					(12,481)			(459)	(12,940)
Other comprehensive income (net of tax)						(201)			(201)
Adjustment to the fair value of redeemable noncontrolling interests				(149)					(149)

Description	Subscribed capital	Class A common stock	Class B common stock	Reserves	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Contribution from Parent	Noncontrolling interest	Total members' equity
Transaction with Parent							107		107
Share-based compensation expense				16,071					16,071
Merger of trivago GmbH into and with trivago N.V.			66,475	132,879				(199,354)	—
Issued capital, options exercised		53		(3,037)					(2,984)
Balance at December 31, 2017	€ —	€ 1,855	€ 191,880	€ 730,431	€ (192,318)	€ (180)	€ 122,307	€ —	€ 853,975
Impact of adoption of new accounting guidance					143				143
Net loss					(21,489)				(21,489)
Other comprehensive income (net of tax)						91			91
Share-based compensation expense				20,702					20,702
Conversion of Class B shares		667	(6,667)	6,000					—
Issued capital, options exercised		32		129					161
<b>Balance at December 31, 2018</b>	<b>€ —</b>	<b>€ 2,554</b>	<b>€ 185,213</b>	<b>€ 757,262</b>	<b>€ (213,664)</b>	<b>€ (89)</b>	<b>€ 122,307</b>	<b>€ —</b>	<b>€ 853,583</b>

See notes to trivago N.V. consolidated financial statements.

# trivago N.V.

## Consolidated statements of cash flows

(€ thousands)

	Year ended December 31,		
	2016	2017	2018
<b>Operating activities:</b>			
Net loss	€ (51,391)	€ (13,049)	€ (21,489)
Adjustments to reconcile net loss to net cash provided by/(used in):			
Depreciation (property and equipment, internal-use software and website development)	5,083	7,802	11,370
Amortization of intangible assets	13,857	3,220	1,684
Impairment of internal-use software and website development	—	—	1,437
Share-based compensation (See Note 10)	53,722	16,025	20,702
Deferred income taxes	(4,838)	(4,851)	(1,755)
Foreign exchange (gain) loss	(16)	(217)	587
Bad debt expense	1,589	78	630
Non-cash charge, contribution from Parent	4,185	107	—
Gain on deconsolidation of entity	—	(2,007)	—
Loss on sale of fixed assets	—	—	605
Gain from equity method investment	—	—	(19)
Changes in operating assets and liabilities:			
Accounts receivable, including related party	(11,256)	(29,734)	(13,432)
Prepaid expense and other assets	(6,945)	(10,434)	11,127
Accounts payable	13,879	13,590	(18,012)
Payroll liabilities	2,784	988	2,951
Accrued expenses and other liabilities	4,702	8,195	199
Deferred revenue	2,814	3,863	(773)
Taxes payable/receivable, net	3,177	(2,097)	(396)
<b>Net cash provided by/(used in) operating activities</b>	<b>€ 31,346</b>	<b>€ (8,521)</b>	<b>€ (4,584)</b>
<b>Investing activities:</b>			
Acquisition of business, net of cash acquired	—	(673)	—
Acquisition of redeemable noncontrolling interests	(874)	—	—
Cash divested from deconsolidation	—	(249)	—
Capital expenditures, including internal-use software and website development	(8,121)	(17,364)	(24,779)
Proceeds from sale of fixed assets	—	—	634
<b>Net cash used in investing activities</b>	<b>€ (8,995)</b>	<b>€ (18,286)</b>	<b>€ (24,145)</b>
<b>Financing activities:</b>			
Payments of initial public offering costs	(882)	(4,038)	—
Dividends paid to noncontrolling interest	—	(158)	—
Proceeds from issuance of credit facility	20,000	—	—
Payments on credit facility	(40,000)	—	—
Net proceeds from issuance of common stock	208,526	42	161
Tax payments for shares withheld	—	(3,062)	—
<b>Net cash provided by/(used in) financing activities</b>	<b>€ 187,644</b>	<b>€ (7,216)</b>	<b>€ 161</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(54)	(1,259)	(24)

<b>Net increase/(decrease) in cash, cash equivalents and restricted cash</b>	<b>€ 209,941</b>	<b>€ (35,282)</b>	<b>€ (28,592)</b>
Cash, cash equivalents and restricted cash at beginning of year	18,241	228,182	192,900
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>€ 228,182</b>	<b>€ 192,900</b>	<b>€ 164,308</b>
<b>Supplemental cash flow information:</b>			
Cash paid for interest	€ 160	€ 2	€ 223
Cash paid for taxes, net of refunds	8,696	2,550	3,325
<b>Non-cash investing and financing activities:</b>			
Offering costs included in accrued expenses	4,038	—	—
Fixed assets-related payable	129	1,557	992
Capitalization of construction in process related to build-to-suit lease	30,883	56,586	36,979
Extinguishment of loan to members through contribution from Parent in members' equity	7,129	—	—
Extinguishment of loan from related party through members' liability	7,129	—	—

*We have reclassified certain amounts related to our prior period results to conform to current period presentation. See notes to trivago N.V. consolidated financial statements.*

# trivago N.V.

## Notes to the consolidated financial statements

### 1. Organization and basis of presentation

#### Description of business

trivago N.V., ("trivago" the "Company," "us," "we" and "our") and its subsidiaries offer online meta-search for hotels by facilitating consumers' search for hotel accommodation, through online travel agents ("OTAs"), hotel chains and independent hotels. Our search-driven marketplace, delivered on websites and apps, provides users with a tailored search experience via our proprietary matching algorithms. We employ a 'cost-per-click' (or "CPC") pricing structure, allowing advertisers to control their own return on investment and the volume of lead traffic we generate for them. During 2013, the Expedia Group, Inc. (formerly Expedia, Inc., the "Parent" or "Expedia Group") completed the purchase of a controlling interest in the Company.

#### Initial public offering

In December 2016, we sold 20,826,606 ADSs, each representing one Class A share, with a nominal value of €0.06 per share, in our initial public offering ("IPO") at a public offering price of \$11.00 per ADS, for aggregate net offering proceeds to us, after deducting underwriting discounts and commissions, of €207.8 million.

#### Corporate reorganization

Prior to the completion of the IPO, Expedia owned through its wholly owned subsidiary, Expedia Lodging Partner Services S.à r.l. ("ELPS") 63.5% and Messrs. Schrömgens, Vinnemeier and Siewert, (whom we collectively refer to as the "Founders") owned 36.5%, in aggregate, of the voting power in trivago GmbH. On November 7, 2016, travel B.V., a Dutch private company with limited liability under Dutch law was formed in order to affect a corporate reorganization. Prior to the completion of the IPO, Expedia Group contributed all of its shares in trivago GmbH to travel B.V. in a capital increase in exchange for newly issued Class B shares of travel B.V. The Founders contributed 940 units of trivago GmbH, representing 6.7% of their aggregate shareholding in trivago GmbH, to travel B.V. in a capital increase in exchange for newly issued Class A shares of travel B.V. As a result of these contributions, 96.3% of the share capital and 99.6% of the voting power in travel B.V. was held by Expedia Group and 3.7% of the share capital and 0.4% of the voting power in travel B.V. was held by the Founders, whereas 66.0% of the voting power in trivago GmbH was held by travel B.V. and 34.0% of the voting power in trivago GmbH was held by the Founders. Effective with the IPO, travel B.V., changed its legal form and became trivago N.V. and all Class A and B shares of travel B.V. were converted to Class A and B shares of trivago N.V.

ADSs representing the 9,200,029 Class A shares of the Founders in trivago N.V. and an additional 20,826,606 ADSs representing newly issued Class A shares in trivago N.V. were sold in the IPO.

After the IPO and as of December 31, 2016, 68.3% of the voting power in trivago GmbH was held by trivago N.V. and 31.7% was held by the Founders which was reflected as noncontrolling interest in the consolidated financial statements through September 7, 2017. On September 7, 2017 (the "merger date") the merger of trivago GmbH into and with trivago N.V. became effective. Pursuant to the merger, our founders exchanged all of their units of trivago GmbH remaining after our pre-IPO corporate reorganization for Class B shares of trivago N.V.

As of December 31, 2018, Expedia Group's ownership interest and voting interest in trivago N.V. is 59.5% and 66.8%, respectively, and the Founders had an ownership interest and voting interest of 28.4% and 31.9%, respectively.

#### Basis of presentation

The corporate reorganization, as described above, is considered a transaction between entities under common control. As a result, the financial statements for periods prior to the IPO and the corporate

reorganization are the financial statements of trivago GmbH as the predecessor to the Company for accounting and reporting purposes. Upon the merger of trivago GmbH with and into trivago N.V., the merger date, no further noncontrolling interest exists between trivago GmbH and trivago N.V. Unless otherwise specified, “the Company” refers to trivago N.V., and trivago GmbH and its respective subsidiaries throughout the remainder of these notes.

These consolidated financial statements reflect Expedia Group’s basis of accounting due to the change in control in 2013 when Expedia Group acquired a controlling ownership in trivago, as we elected the option to apply pushdown accounting in the period in which the change in control event occurred.

The Expedia Group incurs certain costs on behalf of trivago. The consolidated financial statements include certain corporate expenses that have been allocated to trivago by the Expedia Group (see Note 17 - Related party transactions for further information). We recorded all corporate allocation charges from the Expedia Group within our consolidated statement of operations and as a contribution from Parent within the consolidated statement of changes in equity. Our management believes that the assumptions underlying the consolidated financial statements are reasonable. However, this financial information does not necessarily reflect the future financial position, results of operations and cash flows of trivago, nor does it reflect what the historical financial position, results of operations and cash flows of trivago would have been had we been a stand-alone company during the periods presented.

Certain amounts previously reported in the consolidated financial statements have been reclassified in the accompanying consolidated financial statements to conform to the current period’s presentation, primarily to separately present financing obligations, which were previously classified as other liabilities long-term, as well as payroll liabilities, which were previously classified as accrued expenses and other current liabilities on the balance sheet.

### **Seasonality**

We experience seasonal fluctuations in the demand for our services as a result of seasonal patterns in travel. For example, searches and consequently our revenue are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter holiday travel. Our revenue typically decreases in the fourth quarter. We generally expect to experience higher return on advertising spend in the first and fourth quarter of the year as we typically expect to advertise less in the periods outside of high travel seasons. Seasonal fluctuations affecting our revenue also affect the timing of our cash flows. We typically invoice once per month, with customary payment terms. Therefore, our cash flow varies seasonally with a slight delay to our revenue, and is significantly affected by the timing of our advertising spending. Changes in the relative revenue share of our offerings in countries and areas where seasonal travel patterns vary from those described above may influence the typical trend of our seasonal patterns in the future.

## **2. Significant accounting policies**

### **Consolidation**

Our consolidated financial statements include the accounts of trivago and entities we control. All significant intercompany balances and transactions have been eliminated in consolidation. We deconsolidate entities from our results of operations on the day when we lose control. Further, the equity method of accounting is used for investments in associated companies in which we have a financial interest in but do not have control.

We record noncontrolling interest in our consolidated financial statements to recognize the minority ownership interest in our consolidated subsidiaries. Noncontrolling interest in the earnings and losses of consolidated subsidiaries represent the share of net income or loss allocated to members or partners in our consolidated entities, which includes the noncontrolling interest share of net income or loss from our redeemable noncontrolling interest entities and our noncontrolling interest in trivago GmbH; up and until the merger of trivago GmbH with and into trivago N.V. on September 7, 2017.

As discussed in Note 1, as a result of the corporate reorganization, trivago N.V. consolidates trivago GmbH and trivago GmbH is considered to be the predecessor to trivago N.V. for accounting and reporting purposes. As a result of the merger of trivago GmbH with and into trivago N.V. during 2017, as of December 31, 2017 there no longer remains a minority interest related to trivago GmbH classified as noncontrolling interest as a component of stockholders' equity in our consolidated financial statements.

As of December 31, 2018 and December 31, 2017 all subsidiaries of the Company are wholly-owned. Throughout 2017 until the deconsolidation of myhotelshop, noncontrolling interests with shares redeemable at the option of the minority holders in myhotelshop have been included in redeemable noncontrolling interests. See Note 12 - Redeemable noncontrolling interests for further discussion.

### **Accounting estimates**

We use estimates and assumptions in the preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated financial statements include revenue recognition, intangible assets and goodwill, redeemable noncontrolling interest, acquisition purchase price allocations, and share-based compensation.

### **Revenue recognition**

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We derive our revenues from the following streams:

#### *Referral Revenue*

Revenue relates to fees earned on the display of a customer's (advertiser's) link on the trivago website on a cost-per-click (CPC) basis. Revenue from click-through fees is recorded after the traveler makes the click-through to the related advertiser's website. Control is deemed to have transferred at a point in time, being when the link or advertisement has been displayed and the click-through to the customer's website has occurred. The prices per click for an advertising campaign, which generally have a duration of one month or less, are negotiated in advance, thus, the amount to be recognized as revenue for the respective click is fixed and determinable when the performance obligation has been satisfied.

Most of our revenue is invoiced on a monthly basis after the performance obligation has been satisfied with payment terms between 10 to 90 days. For some advertisers we require prepayments.

#### *Subscription Revenue*

Revenue from subscription services is recognized ratably over the contract term, which is 12 months or less from the subscription commencement date. Customers may choose to be billed annually or monthly via SEPA or credit card. The price per subscription is fixed and determinable when the contract commences.

We consider ourselves principal in all our revenue transactions.

We do not have any unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. As permitted under ASC 606-10-55, we elected not to disclose the transaction price allocated to performance obligations expected to be satisfied in future periods.

### **Deferred revenue**

Deferred revenue relates to advanced payments received for services provided in future periods, primarily related to subscription services. Deferred revenue changed from €8.9 million as of December 31, 2017 to €7.9 million as of December 31, 2018. During the year ended December 31, 2018, €8.0 million were recognized as revenue that were included in the beginning deferred revenue balance as of December 31, 2017.

## **Cost of revenue**

Cost of revenue consists of expenses that are directly or closely correlated to revenue generation, including data center costs, salaries and share-based compensation for our data center operations staff and our customer service team who are directly involved in revenue generation. For the years ended December 31, 2016, 2017 and 2018 cost of revenue excludes €3.8 million, €0.1 million and €0.3 million, respectively, of amortization expense of acquired technology. For the years ended December 31, 2016, 2017 and 2018 cost of revenue excludes €1.4 million, €1.7 million and €3.0 million, respectively, of amortization expense related to internal use software and website development.

## **Cash and Cash Equivalents**

Our cash and cash equivalents include cash and liquid financial instruments, primarily time deposit investments, with maturities of three months or less when purchased.

## **Restricted cash**

Restricted cash primarily consists of funds held as guarantees in connection with corporate leases and funds held in escrow accounts in the event of default on corporate credit card statements. The carrying value of restricted cash approximates its fair value. As of December 31, 2017 and December 31, 2018, restricted cash was €2.7 million and €2.4 million, respectively. From the total balance as of December 31, 2018, €2.3 million is presented as other long-term assets based on the expected dates the restricted cash will be refunded or made available to the Company.

## **Accounts receivable**

Accounts receivable are generally due within 10 to 90 days and are recorded net of an allowance for doubtful accounts. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

## **Property and equipment, net including software and website capitalization**

We record property and equipment at cost, net of accumulated depreciation and amortization. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is generally three to five years for computer equipment, capitalized software and software development cost and furniture and other equipment, and 39 years for buildings. We amortize leasehold improvements using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

In June 2015, we signed a contract to build our new corporate headquarters in Düsseldorf, Germany. We were deemed to be the accounting owner of the premises during the construction period under build-to-suit lease accounting guidance under ASC 840. Therefore, a construction-in-progress asset and a related construction financing obligation were recorded on our consolidated balance sheets up until the move-in date. The amounts that the Company has paid or incurred for normal tenant improvements and structural improvements had also been recorded as part of the construction-in-progress asset. After we moved into our new headquarters in June 2018, we have capitalized the amounts incurred related to the construction cost and normal tenant improvements to property and equipment, which are amortized using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease. At the date of the move in, it was determined that the sale-leaseback guidance was not met, resulting in our accounting for the lease as a financing obligation as further explained in the "Leases" section below.

Certain direct development costs associated with website and internal-use software are capitalized during the application development stage. Capitalized costs include external direct costs of services and payroll costs (including share-based compensation). The payroll costs are for employees devoting time to the software development projects principally related to website and mobile app development, including support systems, software coding, designing system interfaces and installation and testing of the software. These costs are recorded as property and equipment and are generally amortized over a period of three years beginning when the asset is ready for use. Costs incurred for enhancements that are expected to result in



additional features or functionality are capitalized and amortized over the estimated useful life of the enhancements, which is generally a period of three years. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Certain acquired software licenses and implementation costs are capitalized during the implementation stage. Capitalized costs include the license fee, external direct costs of services provided in regards to the implementation and customization of the software, and internal payroll costs for employees involved with the implementation process. These costs are recorded as property and equipment and are amortized over the license term when the asset is ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

## **Leases**

We lease office space in several countries under non-cancellable lease agreements. We generally lease our office facilities under operating lease agreements. We recognize rent expense on a straight-line basis over the lease period. Any lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. The lease term begins on the date we become legally obligated for the rent payments or when we take possession of the office space, whichever is earlier. Additionally we have entered into subleases for unoccupied leased office space. We recognize sublease payments on a straight-line basis over the term of the sublease.

We establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent that we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease.

The contractual lease agreement for our new campus in Düsseldorf triggered build-to-suit treatment under U.S. GAAP during the construction period of both buildings. We moved into the first building in June 2018, at which point it was determined that the sale-leaseback guidance was not met, resulting in our accounting for the lease as a financing obligation. We have bifurcated our lease payments relating to the premises into a portion that is allocated to the building (a reduction of the financing obligation) and a portion that is allocated to the land on which the building was constructed. The portion of the lease obligations allocated to the land is treated as an operating lease that commenced in July 2015. For the years ended December 31, 2016, 2017 and 2018, we have recorded €1.7 million, €1.7 million and €1.8 million respectively, of land rent expense in connection with this lease. Until our move-in in June 2018, our non-cash land expense was entirely classified as general and administrative expense. Since our move, we have been allocating these expenses to all of our operating costs. Depreciation on the building commenced upon construction completion, resulting in €1.6 million of depreciation expense for the year ended December 31, 2018, of which the majority is recorded as technology and content expense. The second building relating to our campus remains under construction at December 31, 2018 and is accounted for as a build-to-suit.

## **Business combinations**

We assign the value of the consideration transferred to acquire a business to the tangible assets and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer relationships and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

## **Recoverability of goodwill and indefinite-lived intangible assets**

Goodwill is assigned to our three reporting units, which correspond to our three operating segments, on the basis of their relative fair values as of the date of change in reporting units. We assess goodwill and indefinite-lived assets, neither of which are amortized, for impairment annually in the fourth quarter of the year, or more

frequently, if events and circumstances indicate that an impairment may have occurred. In the evaluation of goodwill for impairment, we typically first perform a qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount, followed by performing a quantitative assessment by comparing the fair value of the reporting unit to the carrying value, if necessary. Effective October 1, 2017, we prospectively adopted accounting guidance that simplified our goodwill impairment testing by eliminating the requirement to calculate the implied fair value of goodwill (formerly "Step 2") in the event an impairment is identified. Instead, an impairment charge is recorded based on the excess of the reporting unit's carrying amount over its fair value.

We generally base the measurement of fair value of our three reporting units on a blended analysis of the present value of future discounted cash flows and market valuation approach. The discounted cash flows model indicates the fair value of the reporting unit based on the present value of the cash flows that we expect the reporting unit to generate in the future. Our significant estimates in the discounted cash flows model include our weighted average cost of capital, long-term rate of growth and profitability of our business. The market valuation approach indicates the fair value of the business based on a comparison of the reporting unit to comparable publicly traded firms in similar lines of business. Our significant estimates in the market approach model include identifying similar companies with comparable business factors, such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting unit.

We believe the weighted use of discounted cash flows and market approach is the best method for determining the fair value of our reporting units because these are the most common valuation methodologies used within the travel and Internet industries; and the blended use of both models compensates for the inherent risks associated with either model if used on a stand-alone basis.

In addition to measuring the fair value of our reporting units as described above, we consider the combined fair values of our reporting units in relation to the company's total fair value.

In our evaluation of our indefinite-lived intangible assets, we typically first perform a qualitative assessment to determine whether the fair value of the indefinite-lived intangible assets is more likely than not impaired. If so, we perform a quantitative assessment and an impairment charge is recorded for the excess of the carrying value of the indefinite-lived intangible assets over the fair value. We base our measurement of the fair value of our indefinite-lived intangible assets, which consist of trade name, trademarks, and domain names using the relief-from-royalty method. This method assumes that the trade name and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. As with goodwill, periodically, we may choose to forgo the initial qualitative assessment and perform a quantitative analysis in our annual evaluation of indefinite-lived intangible assets.

#### **Recoverability of intangible assets with definite lives and other long-lived assets**

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of generally less than seven years. We review the carrying value of long-lived assets or asset groups, including property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

## **Income taxes**

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

We account for uncertain tax positions based on a two-step process of evaluating recognition and measurement criteria. The first step assesses whether the tax position is more likely than not to be sustained upon examination by the tax authority, including resolution of any appeals or litigation, based on the technical merits of the position. If the tax position meets the more likely than not criteria, the portion of the tax benefit greater than 50% likely to be realized upon settlement with the tax authority is recognized in the financial statements. Interest and penalties related to uncertain tax positions are classified in the financial statements as a component of income tax expense.

## **Presentation of taxes in the statements of operations**

We present taxes that we collect from advertisers and remit to government authorities on a net basis in our consolidated statements of operations.

## **Foreign currency translation and transaction gains and losses**

The consolidated Financial Statements have been prepared in euros, the reporting currency. Certain of our operations outside of the Eurozone use the local currency as their functional currency. We translate revenue and expense at average exchange rates during the period and assets and liabilities at the exchange rates as of the consolidated balance sheet dates and include such foreign currency translation gains and losses as a component of other comprehensive income. Due to the nature of our operations and our corporate structure, we also have subsidiaries that have significant transactions in foreign currencies other than their functional currency. We record transaction gains and losses in our consolidated statements of operations related to the recurring remeasurement and settlement of such transactions.

## **Advertising expense**

We incur advertising expense consisting of offline costs, including television and radio advertising, as well as online advertising expense to promote our brands. A significant portion of traffic from users is directed to our websites through our participation in display advertising campaigns on search engines, advertising networks, affiliate websites and social networking sites. We consider traffic acquisition costs to be indirect advertising fees. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. We expense the costs of communicating the advertisement (e.g., television airtime) as incurred each time the advertisement is shown. These costs are included in selling and marketing expense in our consolidated statements of operations. For the years ended December 31, 2016, 2017 and 2018, our advertising expense was €623.5 million, €884.7 million and €732.5 million, respectively. As of December 31, 2017 and 2018, we had €12.6 million and €6.3 million, respectively, of prepaid marketing expenses included in prepaid expenses and other current assets.

## **Share-based compensation**

Share-based compensation included in our consolidated financial statements relates to certain outstanding trivago employee options replaced with new trivago employee option awards exercisable into trivago Class A shares, in connection with the controlling-interest acquisition of trivago by the Expedia Group (formerly

Expedia, Inc.) in 2013. During 2017 and 2018, there were additional awards granted in connection with the Omnibus Incentive Plan to employees of trivago.

The fair value of share options accounted for as equity settled transactions is measured at the grant date using the Black-Scholes option pricing model. The valuation model incorporates various assumptions including expected volatility of equity, expected term and risk-free interest rates. As we do not have a trading history relatable to the expected term of our awards, the expected share price volatility for our Class A shares was estimated by taking the median historic price volatility for industry peers based on daily price observations over a period commensurate to the expected term. Prior to the IPO, we previously based our expected term assumptions on the terms and conditions of the employee share option agreements, and scheduled exercise windows. Post-IPO, we have used the simplified method in determining the term by using the midpoint between the vesting date and the end of the contractual term to estimate the term for all option grants subsequent of the IPO. The simplified method was used as we do not have sufficient relatable historical term data available. Prior to the IPO, the share price assumption used in the model is based upon a valuation of trivago's shares as of the grant date utilizing a blended analysis of the present value of future discounted cash flows and a market valuation approach. Subsequent to the IPO, the share price assumption used in the model is based our publicly traded share price on the date of grant. We amortize the fair value to the extent the awards qualify for equity treatment, over the vesting term on a straight-line basis. The majority of our share options are service-based awards which vest between one and three years and have contractual terms that align with prescribed liquidation windows.

We have performance-based share options which vest upon achievement of certain company-based performance conditions and service conditions. On the date of grant, we determine the fair value of the performance-based award using the Black-Scholes option pricing model. The awards are then assessed to determine the probability of the award vesting. If assessed as probable, we record compensation expense for these awards over the total performance and service period using the accelerated method. At each reporting period, we reassess the probability of achieving the performance targets, which requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets. As at December 31, 2018, there were no awards remaining subject to a performance target condition to be determined in a future period.

In 2018, Restricted Stock Units (RSUs), which are stock awards entitling the holder to shares of common stock as the award vests, were granted. The RSUs are service-based awards which vest between one and three years. We measure the value of RSUs at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value, net of actual forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis.

Prior to the IPO, we classified certain employee option awards as liabilities when we deemed it not probable that the employees holding the awards would bear the risks and rewards of stock ownership for a reasonable period of time. We remeasured these instruments at fair value at the end of each reporting period using a Black-Scholes option pricing model which relied upon an estimate of the fair value of trivago's shares as of the reporting date which was determined using a blended approach as discussed above. Upon settlement of these awards, our total share-based compensation expense recorded from grant date to settlement date was equal the settlement amount. Upon the IPO, all liability classified awards were reclassified to equity settled awards. For the years ended December 31, 2017 and 2018, we had no option awards classified as liabilities.

We recognize the effect of forfeitures in the period that the award was forfeited.

## **Fair value recognition, measurement and disclosure**

The carrying amounts of cash and restricted cash reported on our consolidated balance sheets approximate fair value as we maintain them with various high-quality financial institutions. The accounts receivable are short-term in nature and their carrying value generally approximates fair value.

We disclose the fair value of our financial instruments based on the fair value hierarchy using the following three categories:

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

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

Level 3 - Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

## **Certain risks and concentration of credit risk**

Our business is subject to certain risks and concentrations including dependence on relationships with advertisers, dependence on third-party technology providers, and exposure to risks associated with online commerce security. Our concentration of credit risk relates to depositors holding the Company's cash and customers with significant accounts receivable balances.

Our customer base includes primarily online travel agencies and hoteliers. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. We generally do not require collateral or other security from our customers. Expedia Group, our controlling shareholder, and its affiliates accounted for 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively, and 47% and 41%, respectively, of total accounts receivable as of December 31, 2017 and 2018. Booking Holdings and its affiliates represent 43%, 44% and 39%, respectively, of revenues for the years ended December 31, 2016, 2017 and 2018 and 28% and 35%, respectively, of total accounts receivable as of December 31, 2017 and 2018.

## **Contingent liabilities**

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations, as discussed further in Note 16 - Commitments and contingencies. Periodically, and at year end, we review the status of all significant outstanding matters to assess the potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time, which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

## **Adoption of new accounting pronouncements**

*Revenue from Contracts with Customers.* As of January 1, 2018, we adopted ASU 2014-09 amending revenue recognition guidance using the modified retrospective method for contracts with completion dates subsequent to January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented in accordance with the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting policies.

The adoption of the new guidance did not result in a cumulative adjustment to the opening retained earnings balance as of January 1, 2018, and it did not have a material impact to our consolidated financial statements as of and for the year ended December 31, 2018 or on how we recognize revenue.

*Statement of Cash Flows.* As of January 1, 2018, we adopted ASU 2016-15 and ASU 2016-18 which clarify how companies present and classify certain cash receipts and cash payments as well as the presentation of restricted cash in the statement of cash flows. Upon adoption, we retrospectively adjusted the prior periods presented in our statement of cash flows. The most significant impact of the adoption was the inclusion of those amounts deemed to be restricted cash and cash equivalents in our cash and cash-equivalent balances in the consolidated statement of cash flows.

*Intra-entity Transfers of Assets Other Than Inventory.* As of January 1, 2018, we adopted ASU 2016-16 amending the accounting for income taxes associated with intra-entity transfers of assets other than inventory. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs rather than our historical practice of deferring and amortizing the tax consequence over a specified period of time. The adoption of this new guidance resulted in an adjustment to retained earnings of €143 thousand, with an offset against our deferred tax balance.

*Definition of a Business.* As of January 1, 2018, we adopted ASU 2017-01 that clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard must be applied prospectively and will impact how we assess acquisitions (or disposals) of assets or businesses. The adoption of this new guidance did not have a material impact to our consolidated financial statements.

*Stock Compensation.* As of January 1, 2018, we adopted ASU 2017-09, which clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The adoption of this new guidance did not have a material impact to our consolidated financial statements.

*Non-employee Share-based Payment Arrangements.* In June 2018, the FASB issued ASU 2018-07, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provides (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Revenue from Contracts with Customers (Topic 606). ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We elected to early adopt the new guidance in the second quarter of 2018, which requires us to reflect any adjustments as of January 1, 2018, the beginning of the annual period that includes the interim period of adoption. The primary impact of the adoption was to treat share-based compensation awarded to non-employees as equity awards and not option liabilities. Prior to adoption, we did not have material share-based compensation awards to non-employees; therefore, the adoption of this new guidance did not have a material impact to our consolidated financial statements.

*Recognition and Measurement of Financial Instruments.* In January 2016, the FASB issued ASU 2016-01 that provides new guidance related to accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In February 2018, the FASB issued ASU 2018-03, which provides technical corrections and improvements related to ASU 2016-01. We have adopted the new guidance on January 1, 2018. The adoption of this new guidance did not have a material impact to our consolidated financial statements.

*Codification Improvements.* In July 2018, the FASB issued ASU 2018-09, which does not prescribe any new accounting guidance, but instead makes minor improvements and clarifications of several different Financial Accounting Standards Board Accounting Standards Codification areas based on comments and suggestions made by various stakeholders. Certain updates are applicable immediately while others provide for a transition period to adopt in fiscal years beginning after December 15, 2018. We adopted the new guidance in the second quarter of 2018. The adoption of this new guidance did not have a material impact to our consolidated financial statements.

## **Recent accounting pronouncements not yet adopted**

*Leases.* In February 2016, the FASB issued ASU 2016-02, that provides new guidance related to accounting and reporting guidelines for leasing arrangements. The new guidance requires entities that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018. We will adopt this guidance on January 1, 2019 and will elect certain available practical expedients under the transition guidance, including the transition package expedients but excluding the hindsight practical expedient. Additionally, we have elected the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. Based on our lease portfolio as of December 31, 2018, upon adoption we anticipate recording on our consolidated balance sheet right-of use assets of approximately €104 million (representing right-of use asset of approximately €106 million net of approximately €2 million of existing lease incentives and deferred rent) as well as operating lease liabilities of approximately €106 million with no material impact to our consolidated statements of operations or cash flows. Additionally, we will remove the assets and liabilities previously recorded pursuant to build-to-suit lease guidance resulting in an expected increase to retained earnings of less than €10 million.

*Measurement of Credit Losses on Financial Instruments.* In June 2016, the FASB issued ASU 2016-13, which changes the guidance related to the measurement of credit losses for financial assets measured at amortized cost, including accounts receivable, and available-for-sale debt securities. The new guidance replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. This update is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. We are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statements; however, we currently do not expect a material impact.

*Cloud Computing Arrangements.* In August 2018, the FASB issued ASU 2018-15, which provides additional guidance on the accounting for implementation costs incurred for a cloud computing arrangement that is a service contract. The amendments in the standard align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post implementation stages are expensed as the activities are performed. The additional guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. We are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statements.

*Fair Value Measurements.* In August 2018, the FASB issued ASU 2018-13, which is applicable to all entities that are required under existing GAAP to make disclosures about recurring or nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements in ASC 820, Fair Value Measurement and is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statements, however, we currently do not expect a material impact.

### 3. Acquisitions and divestitures

On December 22, 2016, we exercised our call option in order to purchase the remaining 47.7% noncontrolling interest in base7booking.com Sarl ("base7"), a cloud-based property management service provider, for a cash consideration of approximately €0.9 million. As such, we became the sole owner of base7. Given we had a controlling interest in base7 prior to the exercise of the call option, the change in ownership was treated as a step-acquisition and accounted for as an equity transaction. As such, we eliminated the redeemable noncontrolling interest of base7 and changes in redeemable noncontrolling interest due to attributed earnings and foreign exchange gains/losses as of December 22, 2016 and any difference between carrying value and acquisition value was adjusted to Reserves in shareholders' equity as of that date. See Note 12 - Redeemable noncontrolling interests.

In August 2017, we acquired all material assets of tripl GmbH through a business combination for a total purchase consideration of €0.7 million. The acquisition is intended to enhance trivago's product with personalization technology that uses big data and a customer-centric approach.

During December 2017, myhotelshop GmbH issued 8,074 new common shares for a total of €0.1 million to a minority shareholder, who was and continues to be an unrelated party to trivago. The capital infusion diluted our share in myhotelshop from 61.3% to 49.0%. In addition to the capital infusion, we no longer have any put/call rights to purchase the minority interest in myhotelshop. Following the increase in capital, we lost controlling financial interest in myhotelshop. We deconsolidated myhotelshop's assets and liabilities, including the historical redeemable noncontrolling interest of myhotelshop, as of that date from the consolidated financial statements and present our remaining share in myhotelshop as an equity investment, initially at fair value, in other long-term assets in the consolidated balance sheet. The fair value of the retained investment was determined based on the intrinsic value of myhotelshop underlying the capital contribution in December 2017. We recognized a gain from deconsolidation of €2.0 million, including a gain on our retained noncontrolling investment of €0.4 million and a gain of €1.0 million from the recognition of receivables from a loan granted to myhotelshop in 2015.

### 4. Fair value measurement

As of December 31, 2017 and 2018, we had no financial assets measured at fair value. See Note 12 - Redeemable noncontrolling interests for further information on the fair value of the put/call option that was classified as Level 3 as of December 31, 2016. See Note 2 - Significant accounting policies for more information.

### 5. Prepaid expenses and other current assets

(in thousands)	As of December 31,	
	2017	2018
Prepaid advertising	€ 12,577	€ 6,267
Other prepaid expenses	3,755	1,341
Other assets	2,426	738
<b>Total</b>	<b>€ 18,758</b>	<b>€ 8,346</b>



## 6. Property and equipment, net

(in thousands)	As of December 31,	
	2017	2018
Building and leasehold improvements	€ 3,985	€ 120,738
Capitalized software and software development costs	13,287	16,123
Computer equipment	13,387	15,231
Furniture and fixtures	3,620	6,285
Office equipment	786	2,167
Subtotal	35,065	160,544
Less: accumulated depreciation	17,695	25,697
Construction in process	97,101	27,154
<b>Property and equipment, net</b>	<b>€ 114,471</b>	<b>€ 162,001</b>

In June 2018, we moved into our new headquarters in Düsseldorf, Germany and started depreciation of capitalized costs incurred related to the construction cost and normal tenant improvements to property and equipment. See Note 2 - Significant accounting policies, Leases, for further information. As of December 31, 2017 and 2018, our building and leasehold improvement costs, net of accumulated depreciation, were €2.7 million and €118.3 million, respectively. As of December 31, 2017, €92.3 million in building related construction cost were included in construction in progress.

We establish assets and liabilities for the present value of estimated future costs to return our new headquarters and certain of our leased facilities to their original condition under the authoritative accounting guidance for asset retirement obligations. Such assets are depreciated over the useful life of the underlying asset or the lease period and the recorded liabilities are accreted to the future value of the estimated restoration costs. As of December 31, 2017 and 2018, an asset retirement obligation asset and liability of €1.0 million and €0.6 million, respectively, is included within building and leasehold improvements, gross of accumulated depreciation of €0.3 million and €0.04 million, respectively, for the cost to decommission the physical space of our new headquarters and our leased facilities. We have certain operating lease agreements that require us to decommission physical space for which we have not yet recorded an asset retirement obligation. Due to the uncertainty of specific decommissioning obligations, timing and related costs, we cannot reasonably estimate an asset retirement obligation for these properties and we have not recorded a liability at this time for such properties.

As of December 31, 2017 and 2018, our internally developed capitalized software and acquired software development costs, net of accumulated amortization, were €9.0 million in both periods.

As of December 31, 2017 and 2018, our computer equipment costs, net of accumulated amortization, were €6.6 million and €4.8 million, respectively.

In 2018, we recorded an impairment of €1.5 million related to internally developed capitalized software and acquired software development costs, which was a result of software previously under development that was discontinued during the period and will not be placed into service. We recognized the loss on impairment within our operating expenses on our consolidated statements of operations.

## 7. Goodwill and intangible assets, net

The following table presents our goodwill and intangible assets as of December 31, 2017 and 2018:

(in thousands)	As of December 31,	
	2017	2018
Goodwill	€ 490,455	€ 490,529
Intangible assets with definite lives, net	3,794	2,064
Intangible assets with indefinite lives	169,500	169,545
<b>Total</b>	<b>€ 663,749</b>	<b>€ 662,138</b>

### Impairment Assessments

As of December 31, 2017 and 2018, we had no accumulated impairment losses of goodwill or indefinite-lived intangible assets.

#### Goodwill

The following table presents the changes in goodwill by reporting segment:

(in thousands)	Developed Europe	Americas	Rest of World	Total
<b>Balance as of January 1, 2017</b>	€ 215,271	€ 192,719	€ 82,513	€ 490,503
Foreign exchange translation	(77)	(69)	(29)	(175)
Acquisition of Tripl	110	98	42	250
Deconsolidation of myhotelshop	(54)	(48)	(21)	(123)
<b>Balance as of December 31, 2017</b>	<b>€ 215,250</b>	<b>€ 192,700</b>	<b>€ 82,505</b>	<b>€ 490,455</b>
<b>Balance as of January 1, 2018</b>	€ 215,250	€ 192,700	€ 82,505	€ 490,455
Foreign exchange translation	33	29	12	74
<b>Balance as of December 31, 2018</b>	<b>€ 215,283</b>	<b>€ 192,729</b>	<b>€ 82,517</b>	<b>€ 490,529</b>

### Indefinite-lived Intangible Assets

Our indefinite-lived intangible assets relate principally to trade names, trademarks and domain names.

#### Intangible Assets with Definite Lives

The following table presents the components of our intangible assets with definite lives as of December 31, 2017 and 2018:

(in thousands)	December 31, 2017			December 31, 2018		
	Cost	(Accumulated Amortization)	Net	Cost	(Accumulated Amortization)	Net
Customer relationships	€ 34	€ (5)	€ 29	€ 34	€ (16)	€ 18
Partner relationships	34,254	(34,224)	30	34,254	(34,235)	19
Technology	60,190	(59,831)	359	60,145	(59,951)	194
Non-compete agreement	10,800	(7,424)	3,376	10,800	(8,967)	1,833
<b>Total</b>	<b>€ 105,278</b>	<b>€ (101,484)</b>	<b>€ 3,794</b>	<b>€ 105,233</b>	<b>€ (103,169)</b>	<b>€ 2,064</b>

Amortization expense was €13.9 million for the year ended December 31, 2016, €3.2 million for the year ended December 31, 2017 and €1.7 million for the year ended December 31, 2018. The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2018, assuming no subsequent impairment of the underlying assets, is as follows:

(in thousands)	Amortization
2019	€ 1,685
2020	374
2021	1
2022	1
Future years	3
<b>Total</b>	<b>€ 2,064</b>

## 8. Debt-credit facility

We maintain a €50.0 million uncommitted credit facility with an interest rate of LIBOR, floored at zero, plus 1% per annum, which is guaranteed by Expedia Group, that may be terminated at any time by the lender. As of December 31, 2017 and 2018, we had no borrowings outstanding on the consolidated balance sheet.

## 9. Employee benefit plans

For defined contribution plans, trivago pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. We have no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. The amount of expense recognized for defined contribution pension plans was not material for the years ended December 31, 2016, 2017 and 2018.

## 10. Share-based awards and other equity instruments

### Option issuance prior to IPO

In connection with the controlling-interest acquisition of trivago by the Expedia Group, Inc. (formerly Expedia, Inc., the "Parent" or "Expedia") in 2013, certain outstanding trivago employee options as of the acquisition date were replaced with new trivago employee option awards exercisable into trivago Class A shares. The replacement awards were exchanged at acquisition date fair value and maintained their original service-based vesting schedule and strike price of €1. The original service-based vesting period for these awards are between one and three years. The options also contained conditions which allowed holders to put underlying shares to Expedia (and for which Expedia was able to call) during prescribed liquidity windows in 2016 and 2018, however holders are required to exercise options and hold underlying shares for a reasonable period of time prior to liquidation in order to participate in the risks and rewards of equity ownership. Of the 887 option awards outstanding as of January 1, 2014, 858 option awards were replaced at the time of Expedia's acquisition of a controlling interest in us and the remaining were additional grants in 2013 which contained similar provisions as the replacement awards.

77 and 146 Class A employee share options were granted in 2015 and 2016, respectively. Additionally, 62,178 and 74,580 Class B employee share options were granted in 2015 and 2016, respectively, which have economic and voting rights that are 1/1000 of a Class A option. Class A and Class B are presented as the same class of shares and Class B option awards are presented in terms of Class A equivalents. The majority of the employee share options granted in 2015 and 2016 had a strike price of €1. The remaining

options granted in 2015 were granted with strike prices which approximated the 2013 acquisition date fair value of trivago shares and the remaining 2016 options were granted with a strike price equal to the fair value of trivago shares estimated at the time of grant. All option awards granted in 2015 and 2016 contain service based vesting provisions between two and three years. The shares subscribed for underlying the grants in 2015 and 2016 are eligible to participate in prescribed liquidity events originally scheduled to occur in 2016, 2018 and 2020. Options granted with exercise prices in excess of €1 are not expected to participate in the risks and rewards of ownership for a reasonable period of time and are therefore accounted for as liability awards.

In the third quarter of 2015, 484 Class A equivalent trivago employee option awards were exercised for nominal proceeds. The underlying shares were held by employees in order to participate in the 2016 liquidity window. Upon exercise of these options, trivago paid employees' personal tax liability related to the option exercise collateralized by the underlying shares and to be repaid by employees from 2016 liquidation proceeds. As the proceeds of €7.1 million were funded by Expedia, trivago recognized a related party payable for this amount. trivago's extension of this nonrecourse loan to employees triggered an accounting modification and changed the classification of the awards from equity to liability accounting treatment, resulting in a one-time modification charge of €7.3 million and subsequent liability accounting treatment requiring remeasurement to fair value at each reporting period until settlement in 2016. The shareholder loan receivable was netted within the members' liability balance which reflects the value of the liability awards, net of the loan.

There were certain shares held by trivago employees which were originally awarded in the form of share-based options pursuant to the trivago employee option plan and subsequently exercised by such employees. During the second quarter of 2016, Expedia exercised a call right on these shares and elected to do so at a premium to fair value, the aggregate payment of which, €62.5 million, was recorded as a Contribution from Parent in Members' Equity. The exercise resulted in an incremental share-based compensation charge of approximately €43.7 million in the second quarter of 2016 pursuant to liability award treatment. The differential between the cash settlement amount and the incremental share-based compensation charge reflects share-based compensation expense recorded on these awards in previous periods. The €7.1 million related party payable and the €7.1 million shareholder loan receivable, netted within the members' liability balance, was extinguished due to cash withheld from proceeds paid to employees by Expedia as part of this call right exercised by Expedia. The acquisition of these employee minority interests increased Expedia's ordinary ownership of trivago to 63.5%.

In the third quarter of 2016, 38 Class A equivalent trivago employee option awards were exercised for nominal proceeds. All of these awards were liability-classified awards and their subsequent settlement resulted in a reclassification of €4.2 million from Option liability to Reserves in equity. The options exercised were later called by Expedia, with the options exercised having strike prices in excess of €1. Expedia withheld all of the proceeds from exercise, which resulted in a €0.7 million payment to trivago and an offsetting impact to Reserves in equity.

### **Amendment to trivago option plan**

In conjunction with the IPO of trivago N.V. there was a modification to the trivago option plan on December 22, 2016. The modification converted the options for shares in trivago GmbH into options for shares in trivago N.V. The adjustment to the terms of the options was equitable to the option holder, whereas the fair value calculated before and after the adjustment resulted in no incremental fair value. There was no change to the vesting or service conditions of the awards due to the amendment to the trivago option plan. The liquidity windows in 2018 and beyond are no longer in effect under the amended trivago option plan.

Furthermore, as part of the modification of options for units in trivago GmbH to options for shares in trivago N.V., all awards are considered to be equity classified awards as of the modification date. Prior to the modification, certain awards with an exercise price higher than €1 were liability classified as the option holders were not expected to participate in the risks and rewards normally associated with equity share ownership for a reasonable period of time. However, with the modification, the employees no longer have the option for the Company to settle the options in cash and with the IPO the employees can now have access to a liquid market for the shares of trivago N.V., allowing them to participate in the risks and rewards

or equity share ownership. The amendment to the plan and modification resulted in a €4.9 million reclassification of the liability for these options to Reserves in equity and the awards are classified as equity going forward.

### **2016 Omnibus Incentive Plan**

In connection with our IPO, we established the trivago N.V. 2016 Omnibus Incentive Plan, which we refer to as the 2016 Plan, with the purpose of giving us a competitive advantage in attracting, retaining and motivating officers, employees, directors who are members of the management board and/or consultants by providing them incentives directly linked to shareholder value. The maximum number of Class A shares available for issuance under the 2016 Plan shall be 34,711,009 Class A shares, which does not include any Class B share conversions. Class A shares issuable under the 2016 Plan will be represented by ASDs for such Class A shares. The 2016 Plan was amended on March 6, 2017 to permit the delegation of certain responsibilities to the management board.

The 2016 Plan is administered by a committee of at least two members of our supervisory board, which we refer to as the plan committee. The plan committee must approve all awards to directors. Our management board may approve awards to eligible recipients other than directors, subject to annual aggregate and individual limits as may be agreed with the supervisory board. Subject to applicable law or the listing standards of the applicable exchange, the plan committee may delegate to other appropriate persons the authority to grant equity awards under the 2016 Plan to our eligible award recipients. Management board members, supervisory board members, officers, employees and consultants of the company or any of our subsidiaries or affiliates, and any prospective directors, officers, employees and consultants of the company who have accepted offers of employment or consultancy from the company or our subsidiaries or affiliates (excluding supervisory board members) are eligible for awards under the 2016 Plan.

Awards include options, share appreciation rights, restricted stock units and other share-based and cash-based awards. Awards may be settled in stock or cash. The option exercise price for options granted to members of the management board and the supervisory board under the 2016 Plan for management board members shall not be less than the fair market value of a Class A share as defined in the 2016 Plan on the relevant grant date, unless otherwise approved by shareholders at a general meeting. The option exercise price for options under the 2016 Plan for other eligible individuals can be less than the fair market value of a Class A share as defined in the 2016 Plan on the relevant grant date. To the extent that listing standards of the applicable exchange require the company's shareholders to approve any repricing of options, options may not be repriced without shareholder approval.

Options and share appreciation rights shall vest and become exercisable at such time and pursuant to such conditions as determined by the plan committee and as may be specified in an individual grant agreement. The plan committee may at any time accelerate the exercisability of any option or share appreciation right. Restricted shares may vest based on continued service, attainment of performance goals or both continued service and performance goals. The plan committee at any time may waive any of these vesting conditions.

Options and share appreciation rights will have a term of not more than ten years. The 2016 Plan will also have a ten year term, although awards outstanding on the date the 2016 Plan terminates will not be affected by the termination of the 2016 Plan.

As of December 31, 2016, there were no awards granted under the 2016 Plan. During the years ended 2017 and 2018, 10,561,001 and 5,002,236, respectively, awards were granted under the 2016 Plan.

### **trivago amended option plan**

Under the trivago amended option plan, we may grant share options and other share-based awards to management board and supervisory board members, officers, employees and consultants. We issue new shares to satisfy the exercise or settlement of share-based awards.

The following table presents a summary of our share option activity in trivago N.V. equivalent shares for periods prior to January 1, 2017 and trivago N.V. shares after January 1, 2017:

	Options	Weighted average exercise price	Remaining contractual life (In years)	Aggregate intrinsic value (in thousands)
Balance as of January 1, 2016	722	€ 3,239		
Granted	221	€ 80,926		
Exercised	39	€ 17,953		
Cancelled	2	€ 1		
<b>Balance as of December 31, 2016</b>	<b>902</b>	<b>€ 21,637</b>	<b>49</b>	<b>68,235</b>
Balance as of December 31, 2016 (trivago N.V. equivalents)	7,704,659			
Granted	10,561,001	€ 7.16		11,827
Exercised	1,093,428	€ 0.13		14,860
Cancelled	63,658	€ 8.15		366
<b>Balance as of December 31, 2017</b>	<b>17,108,574</b>	<b>€ 5.66</b>	<b>21</b>	<b>32,178</b>
Granted	4,944,430	€ 3.99		12,573
Exercised	531,410	€ 0.30		2,855
Cancelled	828,196	€ 6.23		1,182
<b>Balance as of December 31, 2018</b>	<b>20,693,398</b>	<b>€ 5.54</b>	<b>17</b>	<b>32,050</b>
Exercisable as of December 31, 2018	7,057,182	€ 4.08	35	21,894
<b>Vested and expected to vest after December 31, 2018</b>	<b>20,693,398</b>	<b>€ 5.54</b>	<b>17</b>	<b>32,050</b>

As discussed above, the options legally exercised in 2015 were subject to an accounting modification that changed their classification from equity to liability awards. These awards remained subject to variable accounting treatment through their settlement date in June 2016. Prior to the IPO, 93 Class A and 6 Class B options (in terms of Class A equivalents options) were subject to liability accounting. As of December 31, 2017 and 2018, no option awards are subject to liability accounting.

The total intrinsic value of share options exercised was €14.9 million and €2.9 million for the year ended December 31, 2017 and December 31, 2018, respectively.

During the years ended December 31, 2016, 2017 and 2018, we awarded share options as part of our share-based compensation. The fair value of share options granted during the years ended December 31, 2016, 2017 and 2018 were estimated at the date of grant using the Black-Scholes option-pricing model, assuming the following weighted average assumptions:

	Year ended December 31,		
	2016	2017	2018
Risk-free interest rate	1.31%	2.18%	1.74%
Expected volatility	46%	41%	33%
Expected life (in years)	2.68	4.62	4.42
Dividend yield	—%	—%	—%
Weighted-average estimated fair value of options granted during the year	€ 34,425	€ 4	€ 3

In 2018, we granted restricted stock units (RSUs) as part of our share-based compensation. The RSUs are service-based awards which vest between one and three years. The fair value of the RSUs granted are based on the stock price on the day of grant. The following table presents a summary of our RSUs:

	RSUs	Weighted Average Grant Date Fair Value	Remaining contractual life
<b>Balance as of January 1, 2018</b>	—	€ —	
Granted	57,806	€ 3.88	7
Vested	—	€ —	
Cancelled	—	€ —	
<b>Balance as of December 31, 2018</b>	<b>57,806</b>	<b>€ 3.88</b>	<b>7</b>

In 2016, 2017 and 2018, we recognized total share-based compensation expense of €53.7 million, €16.0 million and €20.7 million, respectively. There was no income tax benefit related to share-based compensation expense for 2016, 2017 and 2018. Additionally, €318 thousand and €85 thousand of share-based compensation cost was capitalized in 2016 and 2017, respectively, as part of software development costs. No share-based compensation cost was capitalized in 2018.

Cash received from share-based award exercises for the years ended December 31, 2016, 2017 and 2018 was €686 thousand, €42 thousand and €161 thousand, respectively.

As of December 31, 2018, there was approximately €27.0 million in unrecognized share-based compensation expense related to unvested share-based awards subject to equity treatment, which is expected to be recognized in expense over the weighted average period of 1.8 years.

## 11. Income taxes

The following table summarizes our income tax expense/(benefit):

(in thousands)	Year ended December 31,		
	2016	2017	2018
Current income tax expense (benefit):			
Germany	€ 11,405	€ 323	€ 2,225
Other countries	103	112	125
<b>Current income tax expense (benefit)</b>	<b>11,508</b>	<b>435</b>	<b>2,350</b>
Deferred income tax (benefit) expense:			
Germany	(4,838)	(4,851)	(1,264)
Other countries	—	(348)	—
<b>Deferred income tax (benefit) expense</b>	<b>(4,838)</b>	<b>(5,199)</b>	<b>(1,264)</b>
<b>Income tax expense (benefit)</b>	<b>€ 6,670</b>	<b>€ (4,764)</b>	<b>€ 1,086</b>

### Reconciliation of German statutory income tax rate to effective income tax rate

The following table summarizes our income (loss) before income taxes allocated to Germany and to other countries:

(in thousands)	Year ended December 31,		
	2016	2017	2018
Germany	€ (32,985)	€ (20,018)	€ (20,574)
Other countries	(11,736)	2,205	108
<b>Income (loss) before income taxes</b>	<b>€ (44,721)</b>	<b>€ (17,813)</b>	<b>€ (20,466)</b>

A reconciliation of amounts computed by applying the German statutory income tax rate to income (loss) before income taxes to total income tax expense (benefit) is as follows:

(in thousands)	Year ended December 31,		
	2016	2017	2018
Income (loss) before income taxes	€ (44,721)	€ (17,813)	€ (20,466)
Income tax expense at German tax rate (31.23%)	(13,964)	(5,562)	(6,391)
Foreign rate differential	219	33	(5)
<b>Expected tax expense (benefit)</b>	<b>(13,745)</b>	<b>(5,529)</b>	<b>(6,396)</b>
Tax effect from:			
Non-deductible share-based compensation	16,875	5,017	6,465
Non-deductible corporate costs	1,306	34	—
Movement in valuation allowance	1,921	(3,517)	(184)
Foreign withholding taxes	29	—	813
Other differences	284	(769)	388
<b>Income tax expense (benefit)</b>	<b>€ 6,670</b>	<b>€ (4,764)</b>	<b>€ 1,086</b>

Our effective tax rate was (14.9)% in 2016, 26.7% in 2017 and (5.3)% in 2018. This is primarily due to non-deductible share-based compensation of (pre-tax) €53.7 million in 2016, €16.0 million in 2017 and €20.7 million in 2018. Furthermore, (pre-tax) corporate costs amounting to €4.2 million for 2016 and €0.1 million for 2017 were pushed down from Expedia Group. No amounts were pushed down from Expedia Group in 2018. These corporate costs are non-deductible for tax purposes. Additional details on the movement in valuation allowance are included below.

Other differences relate to one-off items during the year. In 2018, €0.8 million relate to foreign withholding tax deductions. The remainder of the other permanent differences amounts in 2016, 2017 and 2018 relate to individually insignificant non-deductible expenses.

### Uncertain tax positions

There are no uncertain tax positions provided for as of December 31, 2016, 2017 and 2018.

The Company is subject to audit by federal, state, local and foreign income tax authorities. As of December 31, 2018, there is an ongoing audit of tax returns from 2013 through 2015 for corporate and trade income tax as well as value-added tax for trivago GmbH. According to the statute of limitation, the German tax authorities may initiate additional audits of tax returns for 2014 through 2018. Management determined that it is not more likely than not that the current or any future audits result in an unfavorable outcome.



## Deferred income taxes

At December 31, 2017 and 2018, the significant components of our deferred tax assets and deferred tax liabilities were as follows:

(in thousands)	Year Ended December 31,	
	2017	2018
Deferred tax assets:		
Net operating loss and tax credit carryforwards	€ 2,522	€ 949
Prepaid expense and other current assets	2,458	5,042
Deferred rent	1,429	1,778
Property and Equipment	537	459
Accrued expenses and other current liabilities	473	1,381
Intangible assets, net	—	372
Other long-term liabilities	326	299
Other	405	329
Total deferred tax assets	8,150	10,609
Less valuation allowance	(348)	—
Net deferred tax assets	7,802	10,609
Deferred tax liabilities:		
Intangible assets, net	53,981	53,499
Property and equipment	2,059	2,778
Accrued expenses and other current liabilities	67	448
Other	—	434
Total deferred tax liabilities	56,107	57,159
<b>Net deferred tax asset/(liability)</b>	<b>€ (48,305)</b>	<b>€ (46,550)</b>

At December 31, 2018, we had net operating loss carryforwards (“NOLs”) for a tax-effected amount of approximately €0.9 million. The tax-effected NOL carryforwards decreased by €1.6 million from the amount recorded at December 31, 2017 primarily due to utilization of pre-tax losses at the level of the trivago N.V.

trivago N.V. is a Dutch listed entity, however has its tax residency in Germany. In 2017, trivago N.V. and trivago GmbH merged for tax purposes. This merger enables trivago N.V. to offset its NOLs with any future taxable profits of trivago GmbH. As a result, the €3.2 million previously unrecognized losses of trivago N.V. have been fully recognized in FY 2017.

Of this €3.2 million, €0.7 million of NOLs have not been utilized at December 31, 2018. If not utilized, the tax-effected NOL carryforwards of €0.7 million may be carried forward indefinitely. €0.3 million tax-effected NOLs referred to previously unrecognized losses of Base7 GmbH, which also may be carried forward indefinitely.

The tax-effected valuation allowance decreased by €0.3 million from the amount recorded at December 31, 2017 and relates to the recognition of previously unrecognized losses at the Base7 GmbH level.

The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period change, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

The total cumulative amount of undistributed earnings related to investments in certain foreign subsidiaries where the foreign subsidiary has or will invest undistributed earnings indefinitely was €2.0 million at December 31, 2018. We have not provided for any deferred income taxes on this difference as only 5% refer to a taxable temporary difference under German tax law, which is insignificant. In the event we distribute

such earnings in the form of dividends or otherwise, these would be tax exempt for all investments located in Europe. Any capital gains on the sale of participations would be 95% exempt under German tax law.

## 12. Redeemable noncontrolling interests

Noncontrolling interest existed in myhotelshop until its deconsolidation in December 2017 as it was majority owned by us. We carried it at fair value as the noncontrolling interests contained certain rights, whereby we may have acquired and the minority shareholders may have sold to us the additional shares of the company. A reconciliation of redeemable noncontrolling interest for the year December 31, 2017 is as follows:

(in thousands)	Year ended December 31, 2017
Balance, beginning of the period	€ 351
Net loss attributable to noncontrolling interests	(110)
Fair value adjustments through members' equity	149
Currency translation adjustments and other	0
Change in ownership of noncontrolling interest	0
Deconsolidation of entity	(390)
<b>Balance, end of period</b>	<b>€ —</b>

During the year ended December 31, 2017, the fair value of the redeemable noncontrolling interest was adjusted by €0.1 million for the net loss attributable to the noncontrolling interest in myhotelshop. A total fair value adjustment of €0.1 million was recorded to reflect the fair value of the noncontrolling interests as of the deconsolidation date of myhotelshop. On December 15, 2017, after losing control of myhotelshop, we deconsolidated the entity including the redeemable noncontrolling interests with a fair value of €0.4 million.

There is no redeemable noncontrolling interest as of December 31, 2017 and December 31, 2018.

## 13. Stockholders' equity

*Class A and Class B common stock (after the corporate reorganization, see Note 1 - Organization and basis of presentation)*

As of December 31, 2018, we had ADSs representing 42,559,884 Class A shares outstanding, 308,687,967 Class B shares outstanding. During the third quarter of 2017, the Founders exchanged their units in trivago GmbH for 110,791,880 Class B shares in trivago N.V. in connection with the merger of trivago GmbH with and into trivago N.V. Each Class B share is convertible into one Class A share at any time by the holder. During 2018, 11,112,001 Class B shares were converted into Class A shares.

Class A and Class B common stock has a par value of €0.06 and €0.60, respectively. The holder of our Class B shares, Expedia Group and Founders, are entitled to ten votes per share, and holders of our Class A shares are entitled to one vote per share. All other terms and preferences of Class A and Class B common stock are the same.

### Reserves

Reserves primarily represents the effects of pushdown accounting applied due to the change in control in 2013 in addition to share premium as result of the corporate reorganization and IPO. See Note 1 - Organization and basis of presentation. Further effects to the Reserves are due to the merger of trivago GmbH with and into trivago N.V., exercises of employee stock options, and the effect of the Founders' conversion of Class B shares to Class A shares in 2018.

### Accumulated other comprehensive income (loss)

Accumulated other comprehensive income represents foreign currency translation adjustments for our subsidiaries in foreign locations. As of December 31, 2018, we do not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months.

### Contribution from Parent

The beginning contribution from Parent balance represents the pushdown of share-based compensation expense from Expedia Group. See Note 1 - Organization and basis of presentation, Note 10 - Share-based awards and other equity instruments and Note 17 - Related party transactions.

### Dividends

In December 2016, trivago GmbH agreed to affect a one-time dividend payment in respect of fiscal year 2016. The dividend is in the amount of €0.5 million and was paid to shareholders of record prior to the IPO, resulting in a €0.2 million cash outflow to trivago N.V. in the year ended December 31, 2017.

## 14. Earnings per share

Effective with our IPO, basic and diluted earnings per share of Class A and Class B common stock is computed by dividing net income attributable to trivago N.V., after adjusting for noncontrolling interest, by the weighted average number of Class A and Class B common stock outstanding during the same period. Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method.

There were no shares of Class A or Class B common stock outstanding prior to December 16, 2016, therefore no earnings per share information has been presented for any period prior to that date.

The following table presents our basic and diluted earnings per share:

(In thousands, except per share data)	<u>December 16, 2016 through December 31, 2016</u>	<u>January 1, 2017 through December 31, 2017</u>	<u>January 1, 2018 through December 31, 2018</u>
<b>Numerator:</b>			
Net income/(loss)	€ 1,185	€ (13,049)	€ (21,489)
Less: net income attributable to noncontrolling interest	285	568	—
Net income/(loss) attributable to trivago N.V.	€ 900	€ (12,481)	€ (21,489)
<b>Denominator:</b>			
Weighted average shares of Class A and Class B common stock outstanding - basic and diluted	237,811	274,666	350,852
<b>Earnings per share attributable to trivago N.V. available to Class A and Class B common stockholders - basic and diluted</b>	<b>€ —</b>	<b>€ (0.05)</b>	<b>€ (0.06)</b>

Diluted weighted average common shares outstanding does not include the effects of the exercise of outstanding stock options and RSUs as the inclusion of these instruments would have been anti-dilutive.

## 15. Other, net

For the years ended December 31, 2016, 2017 and 2018, Other, net were primarily made up of the following: (i) foreign exchange rate gains (losses) due to the revaluation of foreign currency receivables and payables and, (ii) income from ADSs offset by custodial fees related to ADSs, (iii) income from campus canteen, (iv) government subsidies for research and development activities and (v) rent income for office subleases.

(in thousands)	Year ended December 31,		
	2016	2017	2018
Foreign exchange rate gains (losses), net	€ 16	€ 120	€ (590)
Net income from ADS fees	—	294	431
Income campus canteen	—	—	307
Government subsidies	—	115	278
Rent income	—	—	128
Other income (expenses)	(155)	63	(15)
<b>Total</b>	<b>€ (139)</b>	<b>€ 592</b>	<b>€ 539</b>

## 16. Commitments and contingencies

### Credit facility, purchase obligations and guarantees

We have commitments and obligations which include purchase commitments, which could potentially require our payment in the event of demands by third parties or contingent events. Commitments and obligations as of December 31, 2018 were as follows:

(in thousands)	By Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Purchase obligations	€ 19,812	€ 19,812	€ —	€ —	€ —

Our purchase obligations represent minimum obligations we have under agreements with certain of our vendors and marketing partners. These minimum obligations are less than our projected use for those periods. Payments may be more than the minimum obligations based on actual use.

### Lease commitments

We have contractual obligations in the form of operating leases for office space and related office equipment, employee apartments and a financing obligation related to the failed sale-leaseback of our corporate headquarter. Certain operating leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis over the lease term. Lease obligations expire at various dates through 2038. For the years ended December 31, 2016, 2017 and 2018, our rental expense was €4.6 million, €4.8 million and €4.7 million, respectively. For the failed sale-leaseback of our corporate headquarters, we do not recognize rent expense related to the lease; the cash payments are recognized as interest expense and amortization of the liability for the financing obligation. See Note 2 for further information.

We have recognized on our balance sheet asset retirement obligation liabilities as of December 31, 2017 and 2018 of €1.0 million and €0.6 million, respectively, for the cost to decommission office space.

We have certain operating lease agreements that require us to decommission physical space for which we have not yet recorded an asset retirement obligation. Due to the uncertainty of specific decommissioning

obligations, timing and related costs, we cannot reasonably estimate an asset retirement obligation for these properties and we have not recorded a liability at this time for such properties.

The following table presents our estimated future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2018 and financing obligations under the failed sale-leaseback of our corporate headquarters:

<b>Year ending December 31, (in thousands)</b>		
2019	€	10,348
2020		9,143
2021		9,137
2022		8,730
2023		7,505
2024 and thereafter		32,016
<b>Total</b>	<b>€</b>	<b>76,879</b>

Minimum rental payments have not been reduced by minimum sublease rentals of €1.9 million due in the future under non-cancelable subleases.

### **Legal proceedings**

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We also evaluate other potential contingent matters, including value-added tax, excise tax, sales tax, transient occupancy or accommodation tax and similar matters.

On August 23, 2018, the Australian Competition and Consumer Commission, or ACCC, instituted proceedings in the Australian Federal Court against us. The ACCC alleged breaches of Australian consumer law relating to our advertisements in Australia concerning the hotel prices available on our Australian site and our strike-through pricing practice, which is the display adjacent to the price quote in the top position in our search results of a higher price that is crossed out. On November 27, 2018, we filed a response to the ACCC's statement of claim. On December 19, 2018, the court issued an order setting a trial date for September 9, 2019 and requiring us to produce certain documents. We are in the process of producing these documents. Management has established a provision in respect of this matter.

We and certain of our management board members are the subject of two putative class actions that were filed in the United States District Court for the Southern District of New York. These two actions have since been consolidated into a single action, and an amended complaint was filed in that action on March 30, 2018. The amended complaint asserts claims under the Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended, on behalf of persons who purchased or otherwise acquired travago's American Depositary Receipts pursuant and/or traceable to the registration statement and prospectus issued in connection with our IPO on or about December 16, 2016 and/or on the open market between December 16, 2016 and October 25, 2017. The complaint also names underwriters of our initial public offering as defendants. On May 14, 2018, we filed a motion to dismiss this matter. On February 26, 2019, the court granted the motion to dismiss as to all defendants, without granting plaintiffs leave to further amend the complaint. The plaintiffs may appeal the decision by March 29, 2019.

The U.K. Competition & Markets Authority, or CMA, announced the launch of a consumer law investigation into online hotel booking sites in the United Kingdom in October 2017. On July 26, 2018, the CMA informed us of its decision to open an investigation into certain of our display practices in the United Kingdom that the CMA considers may violate U.K. consumer law. On January 31, 2019, we submitted voluntary undertakings to the CMA to make changes to certain disclosure and other display practices in the United Kingdom. The

undertakings provide for an implementation period of six months and resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding of liability.

The outcomes of these matters could have a material adverse effect on our business, financial condition or results of operations.

## **17. Related party transactions**

### **Relationship with Expedia Group, Inc.**

We have commercial relationships with Expedia Group, Inc. and many of its affiliated brands, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif, HomeAway and ebookers. These are arrangements terminable at will or upon three to seven days' prior notice by either party and on customary commercial terms that enable Expedia Group's brands to advertise on our platform, and we receive payment for users we refer to them. We are also party to a letter agreement pursuant to which Expedia Group refers traffic to us when a particular hotel or region is unavailable on the applicable Expedia Group website. Related-party revenue from Expedia Group of €268.2 million, €367.6 million and €331.4 million for the years ended December 31, 2016, 2017 and 2018, respectively, primarily consists of click through fees and other advertising services provided to Expedia Group and its subsidiaries. These amounts are recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Related-party revenue represented 36% of our total revenue for each of the years ended December 31, 2016, 2017 and 2018, respectively.

For the years ended December 31, 2016, 2017 and 2018, our operating expenses include €4.2 million, €0.5 million and €0.8 million, respectively, of related-party shared services fees and amounts related to the services and support agreements detailed below. During the years ended December 31, 2016 and 2017, Expedia Group allocated certain legal, tax, treasury, audit and corporate development costs, including associated employee compensation costs. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses which trivago considers reasonable estimates. These amounts may have been different had trivago operated as an unaffiliated entity. During 2017, trivago started incurring these expenses directly.

The related party trade receivable balances with Expedia Group and its subsidiaries reflected in our consolidated balance sheets as of December 31, 2017 and 2018 were €38.6 million and €39.7 million.

### **Guarantee**

On September 5, 2014, we entered into an uncommitted credit facility with Bank of America Merrill Lynch International Ltd., one of the underwriters of our initial public offering, with a maximum principal amount of €10.0 million. Advances under this facility bear interest at a rate of LIBOR, floored at zero, plus 1.0% per annum. This facility may be terminated at any time by the lender. Our obligations under this facility are guaranteed by Expedia Group.

On December 19, 2014, we entered into an amendment to this facility pursuant to which the maximum principal amount was increased to €50.0 million. During the year ended December 31, 2016, we utilized €20.0 million under our credit facility and subsequently repaid all obligations outstanding. We did not utilize the credit facility during the years ended December 31, 2017 and 2018.

On July 23, 2015, we entered into an agreement to design and build our new headquarters in Düsseldorf, Germany. As part of that agreement, Expedia Group had guaranteed certain payments due by trivago. The guarantee by Expedia Group ended upon receipt of a bank guarantee by trivago, which we obtained in July 2017. As of December 31, 2017, there no longer is a guarantee by Expedia Group for certain payments made by us related to our new headquarters.

### **Services agreement**

On May 1, 2013, we entered into an Assets Purchase Agreement, pursuant to which Expedia Group purchased certain computer hardware and software from us, and a Data Hosting Services Agreement, pursuant to which Expedia Group provides us with certain data hosting services relating to all of the servers

we use that are located within the United States. Either party may terminate the Data Hosting Services Agreement upon 30 days' prior written notice. For each of the years ended December 31, 2016, 2017 and 2018, we paid Expedia Group €21 thousand, €68 thousand and €59 thousand, respectively, for these data hosting services.

### **Services and support agreement**

On September 1, 2016, we entered into a Services and Support Agreement, pursuant to which Expedia Group agreed to provide us with certain services in connection with localizing content on our websites, such as translation services. Either party may terminate the Services and Support Agreement upon 90 days' prior notice. For each of the years ended December 31, 2016, 2017 and 2018, we incurred €0.1 million, €0.4 million and €0.7 million, respectively, for these services and support services.

## **18. Segment information**

Beginning in the second quarter of 2016, management identified three reportable segments, which correspond to our three operating segments: the Americas, Developed Europe and Rest of World. The change from one to three reportable segments was the result of a shift in the Company's focus on managing the business to reflect unique market opportunities and competitive dynamics inherent in our business within each of our operating segments. Our Americas segment is comprised of Argentina, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, the United States and Uruguay. Our Developed Europe segment is comprised of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Our Rest of World segment represents all regions outside of the Americas and Developed Europe. The top countries by revenue in the Rest of World segment include Australia, Japan, India, New Zealand and Russia.

We determined our operating segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric is Return on Advertising Spend, or ROAS, for each of our segments, which compares referral revenue to advertising spend. ROAS includes the allocation of revenue by segment which is based on the location of the website, or domain name, regardless of where the consumer resides. This is consistent with how management monitors and runs the business.

Corporate and Eliminations also includes all corporate functions and expenses except for direct advertising. In addition, we record amortization of intangible assets and any related impairment, as well as share-based compensation expense, restructuring and related reorganization charges, legal reserves, occupancy tax and other taxes, and other items excluded from segment operating performance in Corporate and Eliminations. Such amounts are detailed in our segment reconciliation below.

The following tables present our segment information for the years ended December 31, 2016, 2017 and 2018. As a significant portion of our property and equipment is not allocated to our operating segments and depreciation is not included in our segment measure, we do not report the assets by segment as it would not be meaningful. We do not regularly provide such information to our chief operating decision makers.

**Year Ended December 31, 2016**

<b>(in thousands)</b>	<b>Developed Europe</b>	<b>Americas</b>	<b>Rest of World</b>	<b>Corporate &amp; Eliminations</b>	<b>Total</b>
Referral revenue	€ 348,909	€ 286,398	€ 110,517	€ —	€ 745,824
Subscription revenue	—	—	—	5,511	5,511
Other revenue	—	—	—	2,834	2,834
Total revenue	€ 348,909	€ 286,398	€ 110,517	€ 8,345	€ 754,169
Advertising spend	257,471	243,176	122,805	—	623,452
ROAS contribution	€ 91,438	€ 43,222	€ (12,288)	€ 8,345	€ 130,717
Costs and expenses:					
Cost of revenue, including related party, excluding amortization					4,273
Other selling and marketing <sup>(1)</sup>					49,772
Technology and content					51,658
General and administrative, including related party					55,602
Amortization of intangible assets					13,857
Operating loss					€ (44,445)
Other income (expense)					
Interest expense					(137)
Other, net					(139)
Total other income (expense), net					€ (276)
Loss before income taxes					€ (44,721)
Provision for income taxes					6,670
<b>Net loss</b>					<b>€ (51,391)</b>

(1) Represents all other sales and marketing, excluding advertising spend, as advertising spend is tracked by reporting segment.



**Year Ended December 31, 2017**

<b>(in thousands)</b>	<b>Developed Europe</b>	<b>Americas</b>	<b>Rest of World</b>	<b>Corporate &amp; Eliminations</b>	<b>Total</b>
Referral revenue	€ 424,993	€ 391,667	€ 203,673	€ —	€ 1,020,333
Subscription revenue	—	—	—	11,511	11,511
Other revenue	—	—	—	3,539	3,539
Total revenue	€ 424,993	€ 391,667	€ 203,673	€ 15,050	€ 1,035,383
Advertising spend	324,487	338,072	222,126	—	884,685
ROAS contribution	€ 100,506	€ 53,595	€ (18,453)	€ 15,050	€ 150,698
<b>Costs and expenses:</b>					
Cost of revenue, including related party, excluding amortization					5,930
Other selling and marketing <sup>(1)</sup>					62,240
Technology and content					52,232
General and administrative, including related party					47,444
Amortization of intangible assets					3,220
Operating loss					€ (20,368)
Other income (expense)					
Interest expense					(44)
Gain on deconsolidation of subsidiaries					2,007
Other, net					592
Total other income (expense), net					€ 2,555
Loss before income taxes					€ (17,813)
Provision for income taxes					(4,764)
<b>Net loss</b>					<b>€ (13,049)</b>

(1) Represents all other sales and marketing, excluding advertising spend, as advertising spend is tracked by reporting segment.

**Year Ended December 31, 2018**

<b>(in thousands)</b>	<b>Developed Europe</b>	<b>Americas</b>	<b>Rest of World</b>	<b>Corporate &amp; Eliminations</b>	<b>Total</b>
Referral revenue	€ 378,919	€ 315,966	€ 204,937	€ —	€ 899,822
Subscription revenue	—	—	—	13,863	13,863
Other revenue	—	—	—	1,131	1,131
<b>Total revenue</b>	<b>€ 378,919</b>	<b>€ 315,966</b>	<b>€ 204,937</b>	<b>€ 14,994</b>	<b>€ 914,816</b>
Advertising spend	265,004	261,620	205,834	—	732,458
ROAS contribution	€ 113,915	€ 54,346	€ (897)	€ 14,994	€ 182,358
<b>Costs and expenses:</b>					
Cost of revenue, including related party, excluding amortization					5,435
Other selling and marketing <sup>(1)</sup>					73,175
Technology and content					66,904
General and administrative, including related party					54,326
Amortization of intangible assets					1,684
<b>Operating loss</b>					<b>€ (19,166)</b>
Other income (expense)					
Interest expense					(1,839)
Gain on deconsolidation of subsidiaries					—
Other, net					539
<b>Total other income (expense), net</b>					<b>€ (1,300)</b>
<b>Loss before income taxes</b>					<b>€ (20,466)</b>
Provision for income taxes					1,086
<b>Net loss before equity method investment</b>					<b>€ (21,552)</b>
Income (loss) from equity method investment					63
<b>Net loss</b>					<b>€ (21,489)</b>

(1) Represents all other sales and marketing, excluding advertising spend, as advertising spend is tracked by reporting segment.

## Geographic information

The following table presents revenue by geographic area for the years ended December 31, 2016, 2017 and 2018. Referral revenue was allocated by country using the same methodology as the allocation of segment revenue, while non-referral revenue was allocated based upon the location of the customer using the service.

(in thousands)	Year ended December 31,		
	2016	2017	2018
Total Revenues			
United States	€ 199,423	€ 255,501	€ 194,416
United Kingdom	86,745	108,080	95,893
Germany	76,599	85,308	73,143
Australia	30,820	50,623	47,737
Spain	37,715	36,757	34,059
All other countries	322,867	499,114	469,568
	<b>€ 754,169</b>	<b>€ 1,035,383</b>	<b>€ 914,816</b>

The following table presents property and equipment, net for Germany and all other countries, as of December 31, 2017 and 2018:

(in thousands)	Years ended December 31,	
	2017	2018
Property and equipment, net:		
Germany	€ 112,707	€ 159,071
All other countries	1,764	2,930
	<b>€ 114,471</b>	<b>€ 162,001</b>

## 19. Valuation and qualifying accounts

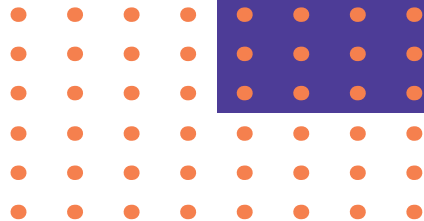
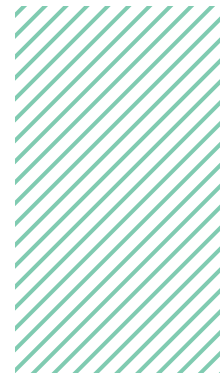
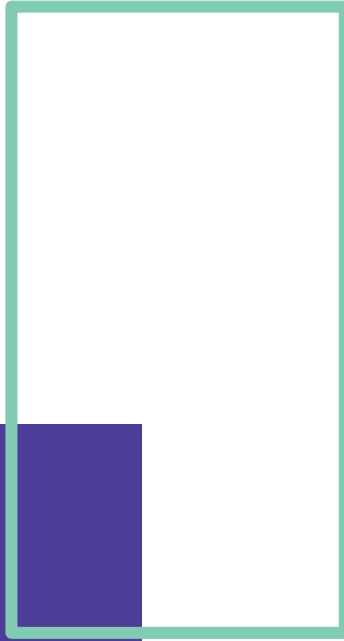
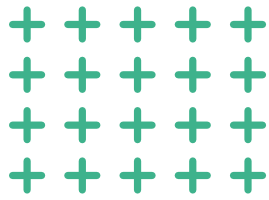
The following table presents the changes in our valuation and qualifying accounts not disclosed elsewhere in these financial statements.

(in thousands)	Balance at Beginning of Period	Charges to Earnings	Deductions	Balance at End of Period
<b>2016</b>				
Allowance for doubtful accounts	€ 251	€ 1,749	€ (1,848)	€ 152
<b>2017</b>				
Allowance for doubtful accounts	152	2,275	(2,196)	231
<b>2018</b>				
Allowance for doubtful accounts	231	580	(561)	250

## **20. Subsequent events**

After the date of the balance sheet through the date of issuance of these consolidated financial statements, 1,000,000 Class B shares were converted into 1,000,000 Class A shares consistent with the conversion ratio discussed in Note 13. Furthermore, options exercised resulted in additional share issuance of 530,646 Class A shares.

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