Annual report of trivago N.V.
for the fiscal year ended 31 December 2019

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1. Introduction

In this board report, the terms “we,” “us,” the “company,” or “trivago,” or similar terms shall mean trivago N.V. and, as the context requires, its subsidiaries.

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 that was completed on December 16, 2016, 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.

1.1. Preparation

This annual report has been prepared by trivago's management and has been approved by trivago's management board (the "management board") and trivago's supervisory board (the "supervisory board"). It contains (i) the Dutch statutory board report pursuant to Section 2:391 of the Dutch Civil Code ("DCC"), (ii) trivago's Dutch statutory annual accounts as defined in Section 2:361(1) DCC and (iii) the information to be added pursuant to Section 2:392 DCC (to the extent relevant). The financial statements included in sections 9 and 10 of this board report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Commission ("EU IFRS") and Part 9 of Book 2 of the DCC. The report of trivago's independent auditor, Ernst & Young Accountants LLP, is included in section 12. The Dutch Corporate Governance Code ("DCGC") recommends that the report includes separate reports from the management board and the supervisory board. The annual report does not include a separate supervisory board report but the board report includes the information that is required to be included in a supervisory board report.

1.2. Special note regarding forward-looking statements

This board report contains forward-looking statements, 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:

- the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the global and local economy, the travel industry and our business and financial performance;
- as a result of the COVID-19 pandemic, we have experienced and may in the future experience increasing expenses for expected credit loss;
- marketplace changes or payment concessions we may make for our advertisers or their ability to satisfy their financial obligations as a result of COVID-19;
- we may not be able improve our profitability in future periods or may incur losses, even while our revenues decline;
- 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 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, particularly Google, which promote its own product and services that competes directly with our accommodation search and may negatively impact our business, financial performance and prospects;
- 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 4.2 of this board report 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 board 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 board report and the documents that we reference in 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.

2. Company and Business Overview

2.1. History and development of the Company

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.

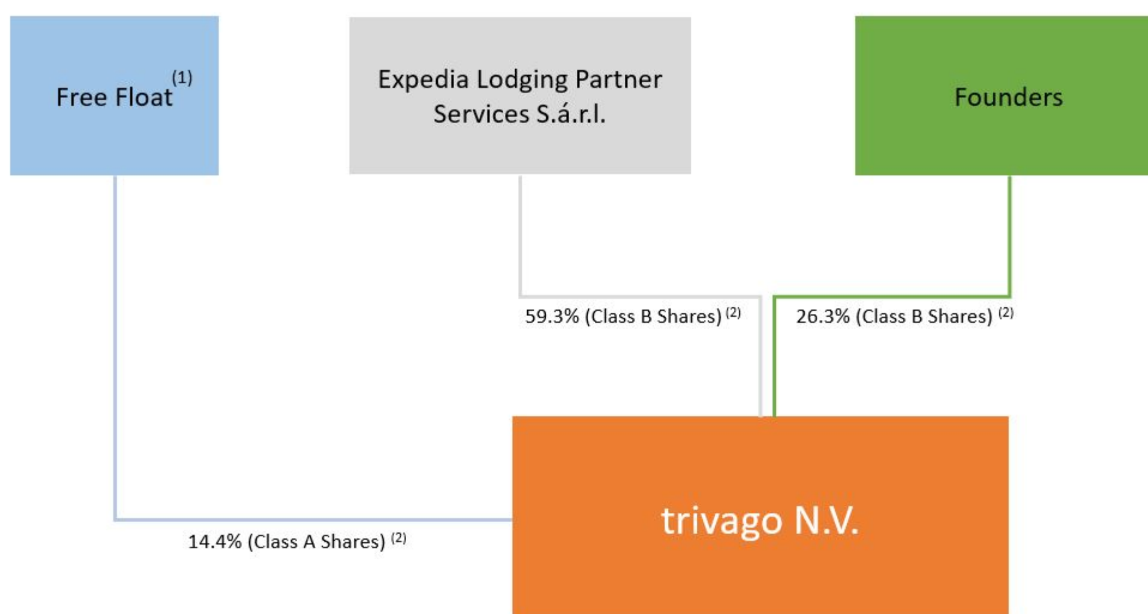
We are registered with the Trade Register of the Chamber of Commerce in the Netherlands (*Kamer van Koophandel*) under number 67222927. Our corporate seat is in Amsterdam, the Netherlands, and our registered office is at Kesselstraße 5 - 7, 40221 Düsseldorf, Germany (under number HRB 79986). Our telephone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

As of December 31, 2019, we had 1,247 employees (prior year: 1,354 employees).

2.2. 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, 2019:



(1) The free float total includes 13,000,000 shares purchased by PAR Investment Partners, L.P. from Mr. Vinnemeier and Mr. Siewert in private transactions. The free-float total also includes a number of Class B shares that were converted into Class A shares by Mr. Siewert.

(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 Exhibit 2.6 hereto. 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.

2.3. 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 7,142 square meters of leased office space in Germany and 4,409 square meters of leased office space in Spain and the Netherlands.

2.4. Business Overview

2.4.1. 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, 2019, we had 522.0 million Qualified Referrals and, as of that date, offered access to more than 4.5 million hotels and other types of accommodation, including 3.3 million units of alternative accommodation such as vacation rentals and private apartments, in over 190 countries.

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 54 localized websites and apps available in 32 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, 2019, our revenue share from mobile websites and apps continued to exceed 60%.

In the year ended December 31, 2019, we generated revenue of €838.6 million and profit of €19.7 million.

2.4.2. trivago's search platform

We believe that we continue to reshape hotel and other accommodation discovery for our users, while changing the way hotel and other accommodation advertisers identify, engage with and acquire travelers. Our search platform forms the core of our user experience. 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, 2019, our database included more than 4.5 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.

Initial search bar parameters	Subsequent search filters
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
Accommodation name	Top amenities options (Pets, Beach, Free WiFi, Breakfast, Pool)
	Accommodation name or address

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

- *Accommodation information:* We display information that we believe is relevant to the user, such as the 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 "*2.4.5. 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 (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.

2.4.2.1 Product changes in 2019

During 2019, we launched new features to identify unique characteristics about a hotel or other accommodation to make it easier for users to find them, as well as features to group hotel prices by key attributes to enable an easier comparison by our users.

2.4.2.2 Alternative accommodation

As of December 31, 2019, we offered access on our search platform to more than 3.3 million (2018: 1.5 million) units of alternative accommodation, such as vacation rentals and private apartments. We are focused on empowering our users to compare across multiple different accommodation types.

2.4.3. 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 focus the efforts of our marketing teams and Advertising Spend towards building effective and efficient messaging for a broad audience. 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 measures.

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

2.4.3.2. Performance marketing

We market our services and directly acquire traffic for 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) and through display advertising campaigns on advertising networks, affiliate websites, social media sites and email marketing (commonly referred to as Display, Email and Affiliate Advertising, or DEA).

2.4.3.3. 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.

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 2019, we observed improved traffic quality in terms of booking conversion that we believe resulted from an improved allocation of Advertising Spend among channels and accordingly saw a positive impact on advertisers' CPC bids and Revenue per Qualified Referral, or RPQR.

2.4.4. 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 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.

2.4.4.1. 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 hotel advertisers to help them manage their presence on our marketplace and steer their investments according to their budget and traffic needs. Our tools include:

trivago Business Studio (previously branded as "Hotel Manager"), a marketing platform that gives each hotelier control over its hotel profile.

- *trivago Business Studio "Basic Apps,"* 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 Business Studio tool, each hotel can ensure that our marketplace accurately captures its offerings, helping attract guests.
- *trivago Business Studio "Pro Apps Package,"* which is sold on a one-year subscription basis and allows hotels to enhance their profile with more advanced features and functionalities. With Business Studio 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 Business Studio "Rate Connect Apps,"* which enables 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 OTAs and hotel chains 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.

2.4.5. 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 2019, we rolled out more granular bidding capabilities on our marketplace by allowing our advertisers to modify their bids depending on the context of a particular user search. With this new functionality, which we refer to as "bid modifiers", advertisers can adjust their bids according to two time-based dimensions: time-to-travel and length-of-stay. We intend to introduce additional dimensions for bid modifiers in the future.

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 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 or conversion generated by a Qualified Referral and the more competitive the bidding, the more an advertiser is willing to bid for an accommodation 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 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.

In 2019, we implemented a rate accuracy score across a number of geographic markets, 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 operates as an upward or downward adjustment of advertisers' CPCs. We are continuously optimizing our proprietary algorithm through initiatives such as the rate accuracy score in order to promote an optimal user experience on our website. In this context, we worked in 2019 with our largest advertisers on a large, multi-market test to help us better understand the end-to-end impact of the aspect of our algorithm that adjusts CPC bids based on our assessment of the quality of users' experience after clicking out to an advertiser from our website (or, relevance assessment). We considered how the relevance assessment affected our users' experience as they discover and book hotels and other accommodations. After jointly analyzing the test results, we decided to phase out the relevance assessment. We intend to continue to cooperate closely with our advertisers to promote a seamless user experience across platforms.

By managing their CPC bids 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.

2.4.6. Our market opportunity

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

2.4.6.1. Challenges for travelers

With the continuing digitalization of the hotel and 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, 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 or an alternative accommodation a frustrating experience for travelers.

2.4.6.2. 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.

2.4.7. Benefits for our users

2.4.7.1. 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.

2.4.7.2 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.

2.4.7.3 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.

2.4.7.4. 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.

2.4.8. Key benefits for advertisers

2.4.8.1. 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.

2.4.8.2. 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.

2.4.8.3. 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.

2.4.8.4. 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.

2.4.9. Our strengths

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

2.4.9.1. 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.

2.4.9.2. Significant scale

We have achieved significant scale, with more than 4.5 million hotels and other types of accommodation available on our platform as of December 31, 2019, including over 3.3 million units of alternative accommodation units, such as vacation rentals and private apartments. We are supported by 54 localized versions of our websites and apps available in 32 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, 2019, we had 522.0 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.

2.4.9.3. 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.

2.4.9.4. 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.

2.4.10. Our strategy

2.4.10.1. Key developments and achievements in 2019

In 2019, our main strategic focus was to strengthen our collaboration with our large advertisers. We believe this has opened the door to a much greater pace of innovation, benefiting not only our users but also all our advertisers. We remain focused on maintaining a healthy marketplace that connects our broad and deep supply of hotels and other accommodations with our user base. We have invested significant time and effort in strengthening our relationships with our large advertisers, identifying where we can additionally meet their needs while promoting an experience on our website that we believe is optimal for our users. Key developments and achievements in 2019 have been:

- We added bid modifiers, allowing advertisers to target and optimize their spend towards their key user groups.
- We phased out the relevance assessment that adjusted cost-per-click bids based on our assessment of the quality of users' experience after clicking out to an advertiser from our website.
- We focused our brand messaging towards our core value proposition of price and comparison, emphasizing that we help consumers compare offers for accommodation from many websites.
- We accelerated the integration of alternative accommodations from multiple additional providers. Our work includes not only sourcing and integrating inventory across all types of accommodations, including hotels, vacation rentals and apartments, but also building tools to make offers for different types of accommodation easily comparable for our users so that they can tackle this inherently more complex comparison. Over the last two years, we have integrated the inventory of multiple additional alternative accommodation providers, including Airbnb, and as of December 31, 2019, now offer more than 3.3 million units of alternative accommodation on our search platform.
- We strengthened our management team by hiring James Carter as Chief Product and Technology Officer. Mr. Carter is a seasoned industry veteran who previously led the engineering teams at Google Hotel Ads.

2.4.10.2. Strategy update 2020

Our industry has historically benefited from a strong migration of travel from offline to online as the leading players focused primarily on growth, resulting in significant increases in users and revenue. In recent years, market dynamics have changed. This lead us to adapt to the new market dynamics by adjusting and optimizing our Advertising Spend. For 2020,

industry dynamics will be negatively impacted by the COVID-19 outbreak as as governments and local municipalities implemented significant measures in an attempt to control the spread of the virus and travel came to a near halt.

In 2020, we anticipate a recalibration of our marketing mix, improvement of our profitability in performance marketing channels and a reduction in advertiser concentration through the introduction of alternative revenue streams. To do so, we conducted a series of large-scale tests in the first quarter of 2020 to refine our strategy with respect to our performance marketing spend.

For the full year 2020, our areas of strategic focus include the following:

- Leveraging the learnings from our branded campaigns in Americas to other markets and further sharpening our brand messaging.
- Aggressively optimizing our traditional performance marketing spend to ensure that we are efficiently spending at a level that is right for us and sustainable in the long term.
- Focusing on product development to improve transparency and usability of our product while improving the value perception as a comparison site by helping users compare offers for hotels and other accommodations across a broad spectrum of providers to find the best value deal based on their individualized needs and preferences. Our teams continue to focus on sourcing great hotel deals, and in 2020 plan to develop more tools to help users understand how offers for accommodation vary in terms of amenities and other factors to enable them to discover which items have the best value for them. In 2020, we also plan to continue building upon our work so far to make it easier to compare hotels, vacation rentals and apartments in one search.
- Continuing to evolve our marketplace to allow advertisers to target their users better, leading to a better result both for our users and advertisers. We intend to continue to cooperate closely with our advertisers to promote a seamless user experience across platforms.
- Adding new revenue streams to diversify our revenue base and reduce the dependency on our top advertisers.

2.4.11. 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;
- Individual 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, Vrbo and ebookers, in the aggregate, accounted for 34% of our total revenue for the year ended December 31, 2019. Booking Holdings and its affiliated brands, Booking.com and Agoda, accounted for 40% of our total revenue for the year ended December 31, 2019.

Nearly all of our agreements with advertisers, including our agreements with our 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 "*4.2 Risk Factors*".

2.4.12. 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.

2.4.12.1. 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 Google Hotel Ads, Kayak, Qunar, and TripAdvisor;
- 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 Vrbo.

2.4.12.2. 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.

2.4.13. 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 are focused on providing our users with an amazing, five-star experience. 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.

Under the our leadership framework, we have broken up the traditional reporting lines into different dimensions, allowing each employee to progress on the dimensions he or she is most excited about and suitable for. 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 mentor, 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 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. We believe this helps us retain our employees since it offers them the opportunity to diversify their professional experience.

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. In 2019, we were notified of no incidents under our related Employee Complaint Procedures (Whistleblower) Policy.

2.4.14. 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.

2.4.15. 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, www.trivago.de and www.trivago.co.uk. Our registered trademarks include: trivago, "Hotel? trivago," Room5, Youzhan and our trivago logo. These trademarks are registered in various jurisdictions.

2.4.16. Government regulation

trivago provides and receives data and information to and from 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. The EU's General Data Protection Regulation 2016/679, or GDPR, has been in effect since May 25, 2018. The GDPR and national GDPR implementation acts on an EU member state level provide 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 obligations imposed by the GDPR 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 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 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, the P2B Regulation in the European Union's New Deal for Consumers).

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 amend and replace the ePrivacy Directive (2002/58/EC) as amended 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 and user interaction with websites and may require relevant financial effort to implement the new laws. Whereas it is currently still unclear if and when the proposed ePrivacy Regulation will enter into effect, European regulators and courts tend to apply the current law more restrictively in a way which would effectively anticipate opt-in requirements under the proposed ePrivacy Regulation. European regulators increasingly take efforts to enforce their positions.

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.

2.4.17. Technology and infrastructure

2.4.17.1. 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.

2.4.17.2. 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. Where required, our data centers are payment card industry (PCI) compliant and accordingly, it is our policy to store separately the limited amount of relevant sensitive data that we do capture. We have designed our websites, apps and infrastructure to be able to support high-volume demand.

2.4.17.3. 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.

2.4.18. 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 a number of breaches of the Australian Consumer Law, or ACL, relating to certain advertisements in Australia concerning the hotel prices available on our Australian site, our Australian strike-through pricing practice and other aspects of the way offers for accommodation were displayed on our Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding that we had engaged in conduct in breach of the ACL. On March 4, 2020, we filed a notice of appeal at the Australian Federal Court appealing part of that judgment. The appeal is scheduled to be heard on July 20-21, 2020. The court has yet to set a date for a separate trial regarding penalties and other orders. Management recorded an estimate of the probable loss as of December 31, 2019 in connection with these proceedings within current other liabilities. Any penalty amount could substantially exceed the level of provision that we established for this litigation.

A consolidated class action was filed in the United States District Court for the Southern District of New York against us and other defendants, alleging securities law violations in our IPO registration statement and certain later disclosures. On February 26, 2019, the district court granted the motion to dismiss as to all defendants, without granting plaintiffs leave to further amend the complaint. On December 16, 2019, the United States Court of Appeals for the Second Circuit issued a summary order affirming the dismissal of the action.

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 provided 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.

2.4.19. Corporate social responsibility

trivago acknowledges the importance of corporate social responsibility and aims to conduct its business in the most sustainable manner. In 2019, we focused on assisting local communities and engaging our talents in volunteer activities to support diverse communities in need, including refugees, homeless and youth. Our work has been implemented through the collaboration with major charity institutions that manage diverse projects that need support from companies and individuals. We look forward to continue developing our community engagement activities.

3. Financial Overview

3.1. Selected financial data

The selected consolidated financial data for each of the years ended December 31, 2018 and 2019 have been derived from our audited consolidated financial statements and notes thereto set forth in section 9 of this annual report.

The following selected consolidated financial data should be read in conjunction with "*3.2 Management's discussion and analysis of financial condition and results of operation*" and our consolidated financial statements and related notes appearing elsewhere in this annual report. Our financial statements included herein are prepared in accordance with EU IFRS and with Part 9 of Book 2 of the DCC.

(in thousands, except share and per share data)

		2018		**2019**
Consolidated statement of operations:				
Sales	€	914,816	€	838,617
Cost of sales		5,468		9,187
Gross profit		**909,348**		**829,430**
Selling and distribution expenses		806,001		663,316
Technology and content		68,326		69,025
General and administrative expenses		56,087		52,567
Other operating income (expense)		(682)		429
Operating profit/(loss)		**(20,384)**		**44,093**
Finance income		—		—
Finance expense		66		3,874
Share of profit of an associate		63		453
Profit/(loss) before taxes		(20,386)		40,672
Income taxes		1,832		20,997
Profit/(loss) for the year		**(22,218)**		**19,675**
Weighted average shares of Class A and Class B common stock outstanding - basic		350,852		351,991
Weighted average shares of Class A and Class B common stock outstanding - diluted		350,852		357,280
Earnings per share attributable to Class A and Class B common stockholders - basic	€	(0.06)	€	0.06
Earnings per share attributable to Class A and Class B common stockholders - diluted	€	(0.06)	€	0.06

3.1.1. 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, 2018**		**As of December 31, 2019**
Cash	€	161,871	€	218,106
Total assets		314,963		452,426
Total current liabilities		58,637		66,192
Total equity	€	252,615	€	290,052

3.1.2. Selected Consolidated Cash Flow Statement Data:

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

	Year ended December 31,	
(in thousands)	**2018**	**2019**
Cash provided by (used in):		
Operating activities	€ (4,400)	€ 83,190
Investing activities	(23,820)	(18,134)
Financing activities	(62)	(8,915)

3.2. Management's discussion and analysis of financial condition and results of operations

3.2.1. Overview

Our total revenue for the years ended December 31, 2018 and 2019 was €914.8 million and €838.6 million, respectively, representing a decrease of 8%. Our Referral Revenue for the years ended December 31, 2018 and 2019 was €899.8 million and €823.6 million, respectively, representing a decrease of 8%. Our Rest of World segment exhibited the highest decrease in Referral Revenue, with a year-over-year decrease of 16% from 2018 to 2019, while Referral Revenue in Americas and Developed Europe declined by 3% and 8%, respectively, year-over-year.

Our loss for the year ended December 31, 2018 was €22.2 million, while our profit for the year ended December 31, 2019, was €19.7 million, representing an increase of €41.9 million from 2018 to 2019.

3.2.2. Key factors affecting our financial condition and results of operations

3.2.2.1. 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 trivago Business Studio Pro Apps Package, 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.

3.2.2.2. 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 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, 2018	2019	2019 vs 2018
Americas	182.3	146.1	(19.9)%
Developed Europe	246.7	195.4	(20.8)%
Rest of World	239.3	180.5	(24.6)%
Total	668.3	522.0	(21.9)%

Note: Some figures may not add due to rounding.

3.2.2.3. 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:

RPQR = RPR x click-out rate

where

RPR = revenue per referral

click-out rate = referrals / 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 2019 compared to 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 first half of 2019. 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 indicates 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.

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, 2018	2019	% Change 2019 vs 2018
Americas	1.73	2.09	20.8%
Developed Europe	1.54	1.78	15.6%
Rest of World	0.86	0.95	10.5%
Total	1.35	1.58	17.0%

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)	2019 vs 2018
Americas	32.1 %
Developed Europe	26.9 %
Rest of World	23.5 %
Total	29.8 %

% decrease in number of referrals (unaudited)	2019 vs 2018
Americas	(26.4)%
Developed Europe	(28.2)%
Rest of World	(31.0)%
Total	(28.8)%

% decrease in Qualified Referrals (unaudited)	2019 vs 2018
Americas	(19.9)%
Developed Europe	(20.8)%
Rest of World	(24.6)%
Total	(21.9)%

% decrease in click-out (unaudited)	2019 vs 2018
Americas	(8.2)%
Developed Europe	(9.4)%
Rest of World	(8.5)%
Total	(8.8)%

3.2.2.4. 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. 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 have the lowest brand awareness and thus require significant Advertising Spend to reach scale. Over time, as our brand awareness in these markets continues to increase, 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, 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, 2018 and 2019 was as follows:

ROAS by segment (unaudited)	Year ended December 31, 2018	2019
Americas	120.8%	130.4%
Developed Europe	143.0%	150.7%
Rest of World	99.6%	112.5%
Consolidated ROAS	122.8%	133.6%

In 2019, Consolidated ROAS improved to 133.6% compared to 122.8% in the same period in 2018. ROAS improved by 9.6ppts, 7.7ppts and 12.9ppts in Americas, Developed Europe and RoW, respectively, compared to the same period in 2018. As we continued to optimize our Advertising Spend, we observed positive period-over-period improvements in ROAS across all segments. The increase in ROAS was primarily driven by significant period-over-period improvement in ROAS in the first half of 2019, while it was partly offset by a period-over-period decline in ROAS in the second half of 2019. The significant improvement in ROAS in the first half of 2019 was driven by a significant period-over-period reduction in Advertising Spend across all segments compared to the first half of 2018 as our optimization of Advertising Spend only began to have an impact starting late in the second quarter of 2018.

3.2.2.5. 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 bid modifiers.

3.2.3. 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.

3.2.3.1. Industry outlook

The online travel industry has historically benefited from a strong migration of travel from offline to online. As our industry gradually consolidated, our large OTA advertisers, such as Booking Holdings and Expedia Group, focused primarily on growth, resulting in significant increases in users and revenue. However, in the past few years the industry dynamic has changed as industry growth has slowed, and our large OTA advertisers have focused more on their profitability. As a result, we believe that our large OTA advertisers have continuously reviewed their Advertising Spend on our platform and on other advertising channels, and accordingly increased, particularly starting in 2018, their return on investment targets for their spend on our marketplace. At the same time, competition has increased as Google has invested into its own hotel metasearch product, trying to capture more of the value in the industry and grow its profit base. Our largest OTA advertisers have moderated their performance marketing spend and put more focus on branded advertisement and direct traffic acquisition. More recently, new players, such as Airbnb and Trip.com, have increased their activities across Western markets, which has further intensified competition.

We have been negatively impacted by the slowdown in industry growth, growing competition, and the reduced spend of our large OTA advertisers. We believe that the slowed industry growth has led to a lower share of first-time users of online travel websites, reducing the value of metasearch leads to the large OTA advertisers.

As a result, we have adjusted our marketing strategy to adapt to the new market dynamics and continued to optimize our Advertising Spend across all segments and all marketing channels in order to improve our ROAS, primarily in the first half of 2019. The optimizations 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 first half of 2019.

We do not expect the industry dynamics to change significantly in the coming year. Google is likely to continue to try to increase its share of total industry profit while large OTAs are likely to continue optimizing their advertising spend and

other expenses. However, we believe the positive impact on our business resulting from new entrants, such as Trip.com and Airbnb, will continue but will have a small financial impact on us in 2020.

3.2.3.2. Increased volatility on our marketplace

In mid-2019, we rolled out more granular bidding, such as bidding according to time-to-travel and length of stay, which we refer to as "bid modifiers". The advertising bidding dynamics on our marketplace in 2019 were impacted by the introduction of bid modifiers as advertisers needed time to adjust their CPC bids to the new bidding parameters. Going forward we plan to use the more flexible auction bidding to add modifiers where we believe they can add value to our users and advertisers. In addition, we observed a general softness in CPC bids in Developed Europe of our largest advertisers during the peak summer travel season, which contributed to volatility in CPC bids in that segment. In 2020, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the global and local economy, the travel industry and our business and financial performance, which may also impact the way our advertisers bid on our marketplace.

3.2.3.3. Impact of strategic initiatives

In 2020, we plan to focus on aggressively optimizing our traditional performance marketing spend to ensure that we are efficiently spending at a level that is right for us and sustainable in the long term. We also plan to test adding new revenue streams to diversify our revenue base and reduce our dependency on our largest OTA advertisers. With respect to our performance marketing optimization efforts, we conducted a series of large-scale tests in the first quarter of 2020 to refine our strategy with respect to our performance marketing spend.

3.2.3.4. 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, 2019, 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.

3.2.3.5. 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, Vrbo and ebookers, in the aggregate, accounted for 34% of our total revenue for the year ended 2019. Booking Holdings and its affiliated brands, Booking.com and Agoda, accounted for 40% of our total revenue for the year ended 2019. 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 Expedia Group and Booking Holdings 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 hotel chains and providers of alternative accommodation as well as independent hotels. We plan to continue 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.

In 2019, 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 more 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 derived from our websites and apps.

Despite our efforts at advertiser diversification, we believe 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 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.

3.2.4. Results of Operations

3.2.4.1. Revenue

Our Total Revenue in the year ended December 31, 2019 consisted of Referral Revenue of €823.6 million and other revenue of €15.0 million. 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.

Total revenue for the year ended December 31, 2019 was €838.6 million, representing a decrease of €76.2 million, or 8.3%, compared to the year ended December 31, 2018. Revenue from related parties for the year ended December 31, 2019 decreased by €46.8 million, or 14.1%, compared to the year ended December 31, 2018, while revenue from third parties decreased by €29.4 million, or 5.0% for the same period.

Referral Revenue for the year ended December 31, 2019 was €823.6 million, representing a decrease of €76.2 million, or 8.5%, compared to the year ended December 31, 2018. Referral Revenue was negatively impacted by a decline in Qualified Referrals, which was partly offset by an increase in RPQR. The number of Qualified Referrals decreased by 21.9% in the year ended December 31, 2019 compared to the same period in 2018, while RPQR increased by 17.0%.

The year-over-year decline in Qualified Referrals was broadly similar among all segments. The decline in Americas was primarily driven by our ongoing marketing and products optimizations, while the decline in Developed Europe and RoW was negatively impacted by reductions in Advertising Spend and subdued traffic volumes towards the end of the year.

RPQR increased in all segments in the year ended December 31, 2019 primarily driven by improved traffic quality in all segments, especially in Americas and Developed Europe.

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

	December 31,		% Change
(in millions)	**2018**	**2019**	**2019 vs 2018**
Americas	€ 316.0	€ 305.1	(3.4)%
Developed Europe	378.9	347.1	(8.4)%
Rest of World	204.9	171.5	(16.3)%
Total	€ 899.8	€ 823.6	(8.5)%

Note: Some figures may not add due to rounding.

Referral Revenue in the Americas in the year ended December 31, 2019 decreased by €10.9 million, or 3.4%, compared to the year ended December 31, 2018. The year-over year decline in Referral Revenue in this segment was mainly driven by a decline in Qualified Referrals, which was partly offset by an increase in RPQR. The decline in Referral Revenue in Americas was the least pronounced among our segments due to the growth in the second half of 2019 compared to the same period in 2018. RPQR increased by €0.36, or by 20.8% in the year ended December 31, 2019 compared to the same period in 2018 primarily driven by improved traffic quality. RPR for the period increased by 32.1%, partly offset by a reduction in the click-out rate of 8.2% in this segment compared to the same period in 2018.

Referral Revenue in Developed Europe in the year ended December 31, 2019 decreased by €31.8 million, or 8.4%, compared to the year ended December 31, 2018 which was mainly driven by a decrease in Qualified Referrals, reflecting subdued traffic volumes towards the end of the year 2019. This was partly compensated by an increase in RPQR. RPQR increased by €0.24, or by 15.6% in the year ended December 31, 2019 compared to the year ended December 31, 2018 due to improved traffic quality. The RPR for the period increased by 26.9%, partly offset by a reduction in the click-out rate only of 9.4% in this segment compared to the same period in 2018.

Referral Revenue in RoW in the year ended December 31, 2019 decreased by €33.4 million, or 16.3%%, compared to the year ended December 31, 2018, which was mainly driven by a decrease in Qualified Referrals, reflecting subdued traffic volumes and softer advertiser bidding dynamics in certain geographic markets towards the end of the year 2019, which was partly offset by an increase in RPQR, particularly in the first half of 2019. The decline in Referral Revenue in this segment was also driven by a continued reduction in Advertising Spend throughout the year 2019. We believe that our performance in RoW was negatively impacted by our relatively shorter operational history, which in turn amplified the effect of year-over-year reductions in Advertising Spend on ROAS. RPQR, increased by €0.09, or 10.5% in the year ended December 31, 2019 compared to the year ended December 31, 2018 due to improved traffic quality. The RPR for the period increased by 23.5%, partly offset by a reduction in the click-out rate of 8.5% in this segment compared to the same period in 2018.

3.2.4.2. Cost of revenue

Our cost of revenue consists primarily of our data center costs, third-party cloud-related service provider expenses, personnel-related expenses and share-based compensation for our data center operations staff and our customer service team. Cost of revenue was €5.5 million and €9.2 million for the years ended December 31, 2018 and 2019, respectively.

Cost of revenue for the year ended December 31, 2019 increased by €3.7 million, or 67.0%, compared to the year ended December 31, 2018 primarily driven by higher expenses for third-party cloud-related service providers of €3.4 million. Our personnel-related costs increased by €0.2 million due to an increase in headcount, and share-based compensation increased by €0.1 million.

3.2.4.3. 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.

	Year ended December 31,		% Change
(in millions)	**2018**	**2019**	**2019 vs 2018**
Advertising expense	€ 732.5	€ 616.7	(15.8)%
% of total revenue	80.1%	73.5%	
Other selling and marketing	70.6	44.3	(37.3)%
% of total revenue	7.7%	5.3%	
Share-based compensation	3.0	2.3	(23.3)%
% of total revenue	0.3%	0.3%	
Total selling and marketing expense	€ 806.0	€ 663.3	(17.7)%
% of total revenue	88.1%	79.1%	

Selling and marketing expenses for the year ended December 31, 2019 decreased by €142.7 million, or 17.7%, compared to the year ended December 31, 2018, primarily driven by significant reductions in Advertising Spend across all segments in the first half of 2019.

Advertising Spend decreased by €115.8 million or 15.8% in the year ended December 31, 2019 compared to the year ended December 31, 2018.

We continued to optimize our Advertising Spend across all marketing channels in order to improve our ROAS, primarily in the first half of 2019. Consequently, we reduced brand and performance marketing expenditures and increased return on investment targets for our brand marketing campaigns across all segments. This led to reductions in Advertising Spend to €233.9 million, €230.3 million and €152.5 million in Americas, Developed Europe and RoW, respectively, compared to €261.6 million, €265.0 million and €205.8 million, respectively, compared to the year ended December 31, 2018.

The decrease in Americas was the least pronounced among our segments since we increased the Advertising Spend in the second half of 2019, especially in the third quarter of 2019, as we observed evidence of attractive marginal returns from our marketing activities in this segment. The decrease in Developed Europe was due to a reduction in Advertising Spend in the first half of 2019 and in the fourth quarter of 2019. In RoW, where the decrease in 2019 was the most pronounced among our segments compared to the same period in 2018, we observed a continued reduction in Advertising Spend throughout the year.

Other selling and marketing expenses excluding share-based compensation for the year ended December 31, 2019 decreased by €26.3 million, or 37.3%, compared to the year ended December 31, 2018, primarily driven by a decrease in personnel-related costs and a decrease in production costs for TV advertisement. Personnel costs for the year ended December 31, 2019 decreased by €11.9 million, or 38.8%, mainly due to lower headcount compared to the year ended December 31, 2018. Also, our social security expense was higher in the year ended December 31, 2018, resulting from an audit assessment by the German Social Security authorities of €0.9 million. We reduced our investments in the production of television advertisements and in the development of new creative concepts by €10.2 million. Professional fees and other expenses for

the year ended December 31, 2019 decreased by €4.2 million, compared to the same period in 2018, mainly driven by lower telecommunication and service fees, reflecting our reduced investments in online marketing and in the recruiting of new hoteliers for our website. Additionally, due to the adoption of the new leasing standard IFRS 16 on January 1, 2019, there has been a decrease in lease expense which has been largely offset by an increase in depreciation expense. There has also been additional advertising taxes in certain geographic markets in 2019.

Share-based compensation decreased by €0.7 million, or 23.3% in the year ended December 31, 2019 compared to the year ended December 31, 2018, mainly driven by award forfeitures partly offset by new grants during the year.

3.2.4.4. 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.

	Year ended December 31,				% Change
in mEUR		**2018**		**2019**	**2018 vs 2019**
Personnel	€	36.3	€	37.0	1.9 %
Share-based compensation, net of capitalized internal use software and website development costs		6.2		5.9	(4.8)%
Depreciation of technology assets		5.1		9.8	92.2 %
Professional fees and other		20.7		16.3	(21.3)%
Total technology and content	€	68.3	€	69.0	1.0 %
% of total revenue		7.5%		8.2%	

Technology and content expense for the year ended December 31, 2019 increased by €0.7 million, or 1.0%, compared to the year ended December 31, 2018, due to a €4.7 million, or 92.2% increase in the depreciation of technology assets as a result of the adoption of the new leasing standard IFRS 16 on January 1, 2019, whereby the company's leases are now accounted for a finance leases. The increase in technology and content expense for the year ended December 31, 2019 was also driven by an increase in personnel-related costs of €0.7 million, or 1.9%, mainly due to higher compensation expense and related social security amounts, as well as lower capitalization of our developers' salaries in the first half of the year 2019, compared to the year ended December 31, 2018. Professional fees and other expenses decreased by €4.4 million, or 21.3%, mainly due to a reduction in operating lease costs due to the adoption of IFRS 16 and also, due to a decrease in our external content development costs as we reduced our investment in external service providers for hotel descriptions. This decrease was partially offset by a €1.2 million increase in costs for third-party IT service providers, as our data center expense increased, and as we continued to invest in our platform to improve our users' experience. Our share-based compensation decreased by €0.3 million for the year ended December 31, 2019 driven by new grants that were partly offset by forfeitures during the year.

3.2.4.5. 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 other overhead costs, depreciation and share-based compensation.

	Year ended December 31,				% Change
in mEUR		**2018**		**2019**	**2019 vs 2018**
Personnel	€	17.3	€	16.9	(2.3)%
Share-based compensation		13.9		8.9	(36.0)%
Professional fees and other		24.9		26.7	7.2 %
Total general and administrative	**€**	**56.1**	**€**	**52.5**	**(6.4)%**
% of total revenue		6.1%		6.3%	

General and administrative expense for the year ended December 31, 2019 decreased by €3.6 million, or 6.4%, compared to the year ended December 31, 2018, primarily due to a €5.0 million, or 36.0% decrease in share-based compensation. In addition, personnel-related costs decreased by €0.4 million, or 2.3%, mostly due to an audit assessment by the German Social Security authorities in the year ended December 31, 2018. Professional fees and other expenses increased by €1.8 million, or 7.2%. The increase was mainly driven by a provision recognized in the fourth quarter of 2019 resulting from the recent judgment in Australia, as well as higher charitable contributions and insurance expenses in the year ended

December 31, 2019, compared to the same period in 2018. These increases were partly offset by a reduction in consulting, audit and professional legal fees compared to the same period in 2018, as well as the impairment of an internal-use software in the second quarter of 2018.

3.2.4.6. Operating income (loss)

Our operating income was €44.1 million for the year ended December 31, 2019 compared to an operating loss of €20.4 million for the year ended December 31, 2018. This improvement was mainly driven by a significant increase in our ROAS as we reduced our Advertising Spend to adapt to the changing dynamics on our marketplace, especially in the first half of 2019. Reductions in other selling and marketing expenses further contributed to the improvement in operating income in the year ended December 31, 2019. This reduction were partly offset by higher cost of revenue, technology and content and an increase in general and administrative expenses.

3.2.4.7. Finance expense

Our finance expense was €3.9 million for the year ended December 31, 2019 compared to €0.1 million for the year ended December 31, 2018. This increase was a result of interest expense being recorded on lease liabilities that were recognized upon the adoption of IFRS 16 on January 1, 2019.

3.2.4.7. Expense (benefit) for income taxes

The income tax expense/(benefit) is mainly driven by income/(loss) before income taxes of €40.7 million in 2019 and €(20.4) million in 2018. Our effective tax rate was 51.3% in 2019 compared to (8.9)% in 2018. This is mainly due to non-deductible share-based compensation. Other differences relate to one-off items during the year.

3.2.5 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.

3.2.6. 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. We did not utilize the credit facility during the year ended December 31, 2019.

For the year ended December 31, 2019, cash and cash equivalent increased by €56.2 million to €218.1 million. The increase in total cash, cash equivalents and restricted cash was mainly driven by positive cash flows provided by operating activities due to positive effects from profit for the year ended December 31, 2019 of €19.7 million.

Our known material liquidity needs for periods beyond the next twelve months are described below in “9. Other Financial 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 and we do not expect to take any additional measures in terms of financing.

The following table summarizes our cash flows for the years ended December 31, 2018 and 2019:

	Year ended December 31,			
(in millions)		2018		2019
Cash flows provided by/(used in) operating activities	€	(4.4)	€	83.2
Cash flows used in investing activities		(23.8)		(18.1)
Cash flows provided used in financing activities		(0.1)		(8.9)

3.2.6.1 Cash Flows Provided by/(Used in) Operating Activities

For the year ended December 31, 2019, net cash provided by operating activities increased by €87.6 million to €83.2 million. In the year ended December 31, 2019 net cash provided by operating activities was mainly driven by profit of €19.7 million including non-cash expenses for share-based compensation of €17.4 million. Changes in operating assets and liabilities further contributed to an increase in cash and cash equivalents of €47.9 million primarily due to a decrease in tax payable/receivable, net.

3.2.6.2 Cash Flows Used in Investing Activities

For the year ended December 31, 2019, cash used in investing activities decreased by €5.7 million to €18.1 million, primarily due to decreased capital expenditures including internal-use software and website development.

3.2.6.3 Cash Flows Used in Financing Activities

For the year ended December 31, 2019, cash used in financing activities increased by €8.8 million to €8.9 million, primarily due to the adoption of IFRS 16 which resulted in a change in cash flow presentation from the payment of principal portion of lease liabilities and interest paid on lease liabilities.

3.2.7. Research and Development

We conduct research and development activities to continuously improve our product.

3.2.8. Employees

We plan to significantly reduce our headcount during the year ending on December 31, 2020. In response to the COVID-19 outbreak, we took a number of steps to maintain our cash liquidity and financial position. In our German headquarters, we asked a significant part of our marketing, sales and HR teams to reduce their working hours in April 2020. We have implemented the short-term work scheme (*Kurzarbeit*), in which the German state subsidizes the salary of affected employees. As announced on April 27, 2020, we started to make changes to our organizational setup, including making significant headcount reductions, to respond to the changes in industry dynamics. We are targeting a substantial reduction in our cost base going forward.

3.2.9. Investments

In 2020, we plan to continue to make investments, for example, in self-developed software and our data center and servers.

3.3. Impact of COVID-19/Outlook

While, initially, the COVID-19 outbreak largely had a negative impact on our business in our Rest of World (RoW) segment, it began to have a negative impact in February that fully intensified in March in our Developed Europe and Americas segments, as more governments and local municipalities implemented significant measures in an attempt to control the spread of the virus and travel came to a near halt. As a result, traffic to our website dropped significantly. Advertisers significantly reduced their spend on our platform or deactivated their campaigns, with Referral Revenue declining by more than 95% in the last week of March 2020 compared to the same period in 2019.

In response to this challenging environment, we took a number of steps to maintain our cash liquidity and relationships with our advertisers:

- We significantly reduced Advertising Spend, our largest variable expense, in affected markets. By mid-March, our consolidated Advertising Spend was reduced to an absolute minimum, with very few exceptions where previous commitments could not be reduced.
- To preserve our cash reserves, we have taken a very close look at our expenses, implementing measures described in more detail under "*3.2.8. Employees*" above.
- Our account management and finance teams are working very closely with our advertisers to find solutions to manage our outstanding receivables while making accommodations for this very difficult situation. We have accommodated the requests of many advertisers to extend payment dates and to pay outstanding invoices in installments.

As it is very difficult to forecast the future development of the COVID-19 outbreak, we have not provided the market with any specific financial guidance for 2020. As of the the hereof, there are no firm plans to obtain additional financing in 2020.

4. Risk Management and Risk Factors

4.1. Risk management, risk appetite and control systems

The management board and supervisory board are responsible for reviewing the Company's risk management and control systems in relation to the financial reporting by the Company. These risk management and control systems have been established to mitigate the risk the Company faces as described in section "*4.2. Risk Factors*". The supervisory board has charged its audit committee (the "Audit Committee") with the periodic oversight of these risk management and control systems, with reports being provided to the supervisory board. The Audit Committee assists the supervisory board in monitoring (i) the integrity of the Company's financial statements and its accounting and financial reporting processes, (ii) the effectiveness of the Company's internal control over financial reporting, (iii) the Company's compliance with applicable legal and regulatory requirements (including United States federal securities laws), (iv) the qualifications, independence and performance of the independent auditors, (v) the Company's internal audit function, (vi) the Company's processes and procedures relating to risk assessment and risk management, and (vii) related party transactions.

Our success as a business depends on our ability to identify opportunities while assessing and maintaining an appropriate risk appetite. Our risk management considers a variety of risks, including those related to our industry and business, those related to our ongoing relationship with our shareholders; those related to our intellectual property and those related to the ownership of our Class A shares and American Depositary Shares ('ADS')s. Within each category of risk, we have included risk factors in section "*4.2. Risk Factors*" that describe our current view of the significance of each risk described therein and have summarized those that we consider as key risks in the section "*4.2.1. Summary of key risk factors*". The summary of key risk factors may not include all risks that may affect the Company, and other risks included in section "*4.2. Risk Factors*" as well as others not described in this report may have a material and adverse impact on our business, strategic objectives, revenues, income, assets, liquidity, capital resources and achievement of our strategic initiatives. Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to our senior management including, where appropriate, to our Chief Executive Officer and Chief Financial Officer. Our risk appetite is also described in various chapters of this report, including in sections "*3.2.3. Recent trends in our business*" and "*3.2.6. Liquidity and Capital Resources*" as well as Note 7 Financial risk management.

The management board and the supervisory board believe that the Company's internal risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain any errors of material importance and that these risk management and control systems worked properly in the fiscal year to which this board report pertains. The management board and supervisory board have no reason to believe that there are material shortcomings associated with the Company's internal risk management and control systems. The risk management and control systems have not been materially revised during the fiscal year to which this board report pertains, and, other than as disclosed herein, no material improvements thereto are currently scheduled.

The Company's internal risk management and control systems are under continuous review and have been discussed by the management board with the Audit Committee and the members of the supervisory board. The same applies to any material weaknesses that are identified.

4.1.1. Controls and procedures

4.1.1.1. 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, 2019. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2019, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives.

4.1.1.2. Management's 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, 2019, the Company's internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee.

On the basis of what is described in the paragraph directly above and of periodic reports and information provided to our Managing Directors, coming from different processes, audits and controls, including the internal function and the Audit Committee (which periodically has separate executive sessions with management and the internal audit function discussing relevant topics) and the information it received from management, our management board is of the opinion that:

- this report provides sufficient insight into failings in the effectiveness of the Company's risk management and control systems (if any — none are identified in this report);
- the Company's risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain material inaccuracies;
- based on the Company's state of affairs as at the date of this report and the considerations as described in the penultimate paragraph of section 3.2.6 of this board report, it is justified that the Company's financial reporting is prepared on a going concern basis; and
- this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for a period of twelve months after the date of this report.

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.

4.2. Risk factors

Our business faces significant risks. You should carefully consider all of the information set forth in this board report and in our filings with the United States Securities and Exchange Commission, or the SEC, including the information set forth in our annual report on Form 20-F, filed with the SEC on March 6, 2020, and the following risk factors which 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 board 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 report and our SEC filings. See "1.2 Special Note Regarding Forward-Looking Statements" above.

4.2.1. Summary of key risk factors

Some of the key risks related to trivago and its business include the following. See chapters 4.2.2 to 4.2.4 of this board report for additional detail and other risks. We urge shareholders to review all of chapter 4.2 for a complete understanding of applicable risk factors.

4.2.1.1. Summary of risks related to our industry and business

- **We may not be able improve our profitability in future periods or may incur losses, even while our revenues decline.**
- **We derive a large portion of our revenue from a relatively small number of advertisers. A reduction in spending or any change in the bidding strategies by one or more of these advertisers could harm our business and negatively affect our financial condition and results of operations.**
- **We are subject to a number of factors that contribute to significant period-to-period volatility in our financial condition and results of operations.**
- **We are dependent on general economic conditions, and declines in travel or discretionary spending generally could reduce the demand for our services.**
- **Our ability to maintain and increase brand awareness in order to improve our financial performance 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 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 monetize that inventory to a sufficient degree, our financial performance could be materially adversely affected.**
- **Increasing competition in our industry could result in a loss of market share and higher traffic acquisition costs or reduce 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 so far 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.**
- **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.**
- **One of our product features depends, in part, on our relationship with third parties to provide us with consumer reviews.**
- **The measures we implement that are designed to maximize the lifetime value of our users may not generate the long-term financial benefits that we anticipate.**
- **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 rely on search engines, particularly Google, to drive a substantial amount of traffic to our platform. If Google continues to promote its own products and services that compete directly with our accommodation search at the expense of traditional keyword auctions and organic search, our business, financial performance and prospects may be negatively impacted.**
- **The litigation in Australia could increase our expenses and will subject us to significant monetary penalties.**
- **Regulators' continued focus on the consumer-facing business practices of online travel companies may adversely affect our business, financial performance, results of operations or business growth.**

- **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.**
- **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.**
- **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.**
- **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.**
- **We may experience difficulties in implementing new business and financial systems.**
- **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.**
- **Our brand is subject to reputational risks and impairment.**
- **Many events beyond our control may adversely affect the travel industry.**
- **Our global operations involve additional risks.**
- **Our global operations expose us to risks associated with currency fluctuations, which may adversely affect our business.**
- **We are subject to risks associated with a corporate culture that promotes entrepreneurialism among our employees, decentralized decision making and continuous learning.**
- **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.**
- **Integration of acquired assets and businesses could result in operating difficulties and other harmful consequences.**
- **We are subject to counterparty default risks.**

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

4.2.1.3. Summary of 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.**
- **Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.**
- **Our use of "open source" software could adversely affect our ability to offer our services and subject us to possible litigation.**

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

- **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.**
- **Dutch law and our articles of association may contain provisions that may discourage a takeover attempt.**
- **U.S. investors may have difficulty enforcing civil liabilities against us or members of our management board and supervisory board.**
- **We rely on the foreign private issuer and controlled company exemptions from certain corporate governance requirements under Nasdaq rules.**

4.2.1.5. Summary of risks related to taxation

- **We may become taxable in a jurisdiction other than Germany, and this may increase the aggregate tax burden on us.**
- **Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.**
- **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.**
- **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.**
- **Certain of our ADS holders may be unable to claim tax credits to reduce German withholding tax applicable to the payment of dividends.**
- **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**.

4.2.2. Risks related to our industry and business

We may not be able improve our profitability in future periods or may incur losses, even while our revenues decline.

Although we achieved profit in 2019, our revenue declined for the year 2019 compared to 2018. We believe the degree to which we can improve our profitability and eventually return to revenue growth will be an important factor in how our business will be valued by the market. We may not be able to increase our profits or may incur losses, even while our revenue declines. This may occur for any number of reasons, and may reflect:

- the likelihood that our advertisers continue to prioritize profitability over traffic growth when they set their return-on-investment targets for their spend on our marketplace;
- continued intense competition in the online travel industry, particularly as a result of Google's investment into its own accommodation search;
- a continued slow-down in the growth of the online travel industry and any resulting decline in the emphasis that our advertisers wish to place on our hotel metasearch as an advertising channel;
- reductions in performance marketing spend or possible declines 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;
- a slowdown or reduction in our ability to attract and retain users as a result of not delivering 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 continued material adverse impact of the COVID-19 pandemic on the global and local economy, the travel industry and our business and financial performance; and
- other negative effects on the online travel industry, for example, as a result of market saturation in more mature markets, deteriorating general or local economic conditions.

In addition, we plan to focus on aggressively optimizing our traditional performance marketing spend in 2020, and conducted a series of large-scale tests in the first quarter of 2020 to refine our strategy with respect to our performance marketing spend. If these tests and resulting changes to our performance marketing spend do not result in the benefits we anticipate, our business, results of operations, financial condition and prospects could be adversely affected.

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, cyclicality 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. 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 the bidding strategies 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, including brands affiliated with Booking Holdings, such as Booking.com and Agoda, and those affiliated with our majority shareholder, Expedia Group, Inc., or, together with its subsidiaries, Expedia Group, such as Brand Expedia and Hotels.com. 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, as was the case when Amoma filed for insolvency in 2019. The realization of any of these risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our industry has historically benefited from a strong migration of travel from offline to online. We believe the industry dynamic has changed as growth has slowed. We believe the declining share of first-time users of online travel websites has, in turn, reduced the value of our referrals to our largest OTA advertisers. As our ability to grow and maintain revenue from our advertisers is dependent to a significant extent on our ability to generate referrals, customers, bookings or revenue and profit for them on a basis they deem to be cost-effective, this reduction in value may have, in turn, negatively affected CPC bids on our marketplace. Our advertisers' spend on our platforms may also be adversely affected by factors 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.

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 these advertisers, 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 our largest OTA advertisers have in recent periods focused more on growing their profitability, which has negatively affected CPC levels on our marketplace. 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 or increase the volatility on our marketplace. For example, advertiser bidding levels were impacted in the second half of 2019 when we rolled out more granular bidding on our marketplace, such as time-to-travel and length of stay, and advertisers needed time to adjust CPC bids to the new bidding parameters, and in 2017, we experienced a sudden slowdown in revenue growth as our largest advertisers changed their bidding strategies on our marketplace.

We believe that our advertisers continuously review their advertising spend on our platform and on other marketing channels, and continuously seek to optimize the allocation of their spend among us and our competitors. In particular, we regularly compete with our advertisers in auctions for search engine keywords on Google and other search engines and adjust our spend on search engine marketing based on trends we see in our results. If changes in large advertisers’ strategies on our marketplace were to 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 these marketing 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.

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 and revenue in 2019. 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 inability to reduce our Advertising Spend, particularly on television, quickly enough to respond to the change in revenue. As we spend the great majority of our revenue on advertising, such a failure to reduce Advertising Spend quickly enough can have, and has had, a sudden and significant adverse effect on our profitability and results of operations as was the case in the third quarter of

2017. In addition, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the global and local economy, the travel industry and our business and financial performance. Any resulting inability to meet financial guidance that we have communicated or may communicate to the market in the future 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 the United Kingdom's withdrawal from the European Union, or Brexit, and any future cooperation it may have with the European Union. 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 and may contribute to increased volatility in our business, results of operations, financial condition and prospects.

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, especially when considered together with the inherent attributes of our business discussed above that also contribute to period-to-period volatility.

Our ability to maintain and increase brand awareness in order to improve our financial performance 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 particular, 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. 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.

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. 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. 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 channels that may have a lower marginal Return on Advertising Spend. For example, we may, in order to maintain our brand awareness, need to invest in other advertising formats, such as online video, with which we have less experience and which may be less effective than TV advertising. 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 monetize that inventory to a sufficient degree, 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 alternative accommodations, including the vacation rental and private apartment inventory of several advertisers onto our search platform. We face challenges in integrating alternative accommodations onto 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, OTA or other accommodation search engines are able to acquire a larger share of the alternative accommodation market at our expense, our financial performance may be harmed. The great majority of our revenue continues to be derived from brands affiliated with Booking Holdings and Expedia Group. 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 in our industry could result in a loss of market share and higher traffic acquisition costs or reduce 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, Trip.com 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 Vrbo (previously HomeAway), and other hotel websites, may have been in existence longer, may have larger user bases, may have 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. Google Hotel Ads and other metasearch websites, continue to expand globally, are increasingly competitive, have access to large numbers of users, and, in some cases, continue to adopt strategies and develop technologies and websites that are very similar to ours. In particular, Google Hotel Ads has invested into its own hotel metasearch product, trying to capture more of the available profit margin in the online travel industry and thereby grow its own profit base. In addition, relatively new industry participants, such as Airbnb and Trip.com, have recently increased their activities across Western markets, which has further intensified competition. 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 awards or priority access to services, which may not be available if users book through third-party sites or services.

As a result, competition, 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 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 among advertisers may have a material adverse effect on our business, results of operations, financial condition and prospects.

We so far 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 have historically 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, business, results of operations, financial condition and prospects.

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. In recent periods, the large OTAs have moderated their performance marketing spend and have publicly emphasized their desire to increase the efficiency of their performance marketing spend. The reduced participation by existing advertisers in our marketplace or our inability to continue to add more accommodation inventory to our platform 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. 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 have invested, and in the future may invest, in new business strategies and services. For example, one of our strategic initiatives for 2020 is to focus on product development to improve transparency and the usability of our product while improving the value perception as a comparison site. Some of the changes we are implementing may prioritize the quality of user experience over short-term monetization. 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, or we may not be successful in developing technologies that operate effectively across multiple devices and platforms. New developments in other areas could also make it easier for competitors to enter our markets due to lower up-front technology costs. If we are unable to continue offering innovative services or do not provide sufficiently comprehensive results for our users, 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 implement that are designed to maximize the lifetime value of our users may not generate the long-term financial benefits that we anticipate.

In recent periods, we have implemented and may continue to implement changes to our product and change how we allocate Advertising Spend among marketing channels 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 have included and may include, 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"). These measures have also, from

time to time, involved 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 have aimed 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 retention, business, results of operations, financial condition and prospects 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 how we make decisions about allocating Advertising Spend 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.

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. We believe that many of our competitors, in particular Google, have substantial advantages compared to us in their ability to understand and track users' behavior. 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. Our or our advertisers’ methodologies for tracking this information may change over time. Some countries have also already unilaterally adopted digital services taxes, with other countries planning to adopt such taxes in the future. In addition to increasing our operational expenses, digital service taxes are likely to make it more difficult for us to measure the marginal efficiency of our Advertising Spend among marketing channels as such taxes will affect not only how we allocate our spend but also how these marketing channels and our advertisers make decisions about their businesses.

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, particularly Google, to drive a substantial amount of traffic to our platform. If Google continues to promote its own products and services that compete directly with our accommodation search at the expense of traditional keyword auctions and organic search, our business, financial performance and prospects may be negatively impacted.

We rely on Bing, Google, Naver, Yahoo! and other Internet search engines to generate a substantial amount of 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. The number of users we attract from search engines to our platform is due in large part to how and where information from, and links to, our websites is displayed on search engine pages. 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.

In some instances, search and metasearch companies may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. For example, Google, a significant source of traffic to our website, frequently promotes its own hotel search platform (which it refers to as "Hotel Ads") at the expense of traditional keyword auctions and organic search results. This, in turn, has negatively impacted the search ranking of our website. We have introduced Hotel Ads as a marketing channel in many markets, but our placement in its results is dependent on factors used by Hotel Ads' algorithm to rank and display our offers, resulting in dynamics significantly different from search engine marketing in the form that we have historically been familiar with. This may present a challenge since we may have significantly less flexibility to acquire traffic for 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. Google's promotion of its own competing products, or similar actions by Google in the future that have the effect of reducing our prominence or ranking on its search results, could have a substantial negative effect on our business, results of operations, financial condition and prospects.

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.

The litigation in Australia could increase our expenses and will subject us to significant monetary penalties.

On August 23, 2018, the Australian Competition and Consumer Commission, or ACCC, instituted proceedings in the Australian Federal Court against us. The ACCC alleged a number of breaches of the Australian Consumer Law, or ACL, relating to certain advertisements in Australia concerning the hotel prices available on our Australian site, our Australian strike-through pricing practice and other aspects of the way offers for accommodation were displayed on our Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding that we had engaged in conduct in breach of the ACL. On March 4, 2020, we filed a notice of appeal at the Australian Federal Court appealing part of that judgment. The appeal is scheduled to be heard on July 20-21, 2020. The court has yet to set a date for a separate trial regarding penalties and other orders. Management recorded an estimate of the probable loss as of December 31, 2019 in connection with these proceedings within current other liabilities.

In establishing a provision in respect of the ACCC matter, management took into account the information currently available, including historical precedents for conduct prior to September 1, 2018. However, there is considerable uncertainty regarding how the Australian Federal Court would calculate the penalties that will be ultimately assessed on us. In particular, the Australian Federal Court determined that we engaged in certain conduct after September 1, 2018 that will result in the applicability of the new penalty regime under the ACL, which significantly increased the maximum penalty applicable to parts of our conduct. No case has yet been decided assessing penalties for contraventions of the ACL under the new regime. When assessing penalties, the Court does not apply any mathematical formula, but rather considers and weighs "all relevant matters". Certain statutory maximum penalties serve, when balanced with all other relevant factors, as a yardstick for the court to assess penalties. In order to determine such maximum penalties under the new penalty regime, the court will need to consider whether the "value of the benefit received" by us can be determined and, if so, multiply it by three. Should the court determine that such benefit is not ascertainable, we would be subject to a maximum penalty per contravention equaling 10% of the turnover of the "body corporate", and any related body corporate, for the preceding 12 months. It is unclear how a court might interpret these statutory provisions or how the court might otherwise exercise its considerable discretion in respect of these matters. Any penalty amount could substantially exceed the level of provision that we established for this litigation. The ultimate penalties assessed in this case could have a material adverse effect on our business, results of operations, financial condition and prospects.

Regulators' continued focus on the consumer-facing business practices of online travel companies may adversely affect our business, financial performance, results of operations or business growth.

Regulators continue to increase their focus on the consumer facing business practices of companies active in the Internet search and e-commerce sector, including 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, in 2018, the U.K. Competition & Markets Authority, or CMA, opened 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 resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding that our practices violated U.K. law. On January 20, 2020, the Australian Federal Court issued a judgment in the Australian Competition and Consumer Commission (ACCC)'s case against us regarding our advertising and website display practices in Australia. Parts of the court's opinion included views that differed significantly from those of other national regulators and raised concerns about the function of our marketplace and the adequacy of disclosures to consumers regarding how advertisers that pay higher CPCs generally receive better advertising placement on our website. Should other national courts or regulators take a similar view of our business model to that of the Australian Federal Court and the ACCC, or should changes in our business practices or those prevalent in our sector brought about by the attention brought on by this litigation or other regulatory matters reduce the attractiveness, competitiveness or functionality of our platform and the services we offer, or should our reputation or that of our sector continue to 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 a new Directive as regards the better enforcement and modernization of Union consumer protection rules (the "New Deal for Consumers") recently came into force, and a regulation of the European Parliament and of the Council for business users of online intermediary services (the P2B Regulation) has been recently adopted. In parallel, the national competent authorities of the EU and EEA countries have coordinated their actions, through the Consumer Protection Cooperation (CPC) network, in order to address potential infringements of consumer protection legislation. EU regulators have also been cooperating with international counterparts on consumer protection issues internationally, such as within the International Consumer Protection and Enforcement Network ("ICPEN"), e.g., the CMA has been co-leading an ICPEN project on digital platforms in the travel and tourism sector, which may lead to further coordinated enforcement activities in the sector. 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.

Moreover, 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 those discussed above as well as anti-corruption, anti-trust and competition, economic and trade sanctions, tax, banking, data security and privacy. In addition, there is uncertainty regarding the future terms of trade following the U.K. exit from the European Union, and the transition period thereafter, and regulations and policies in the United Kingdom may diverge from those of the European Union giving rise to greater regulatory complexity and additional compliance costs. 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, 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 the 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.

The U.S. Government announced that, effective May 2, 2019, it will no longer suspend the right of private parties to bring litigation under Title III of the Cuban Liberty and Solidarity (*Libertad*) Act of 1996, popularly known as the Helms-Burton Act, allowing certain individuals whose property was confiscated by the Cuban government beginning in 1959 to sue in U.S. courts anyone who "traffics" in the property in question. Five purported class actions were filed against us (and other defendants) in 2019. Since then, the plaintiffs in all five cases have dropped trivago as a defendant (while the cases continue against other defendants). These actions seek remedies including the value of the expropriated property (on which the applicable hotel is located), plus interest, treble damages, attorneys' fees and costs. If trivago were to be named again as a defendant in these cases, or in other similar cases, we believe that we have meritorious defenses to such potential claims and that the results of any related litigation would not be material to our business, financial condition or results of operations. However, litigation is uncertain and there is little judicial history or interpretation of the relevant claims and defenses, in particular as applied to businesses like ours. As a result, there can be no assurance that there will not be an adverse outcome to any such litigation or that such an outcome would not result in an adverse impact 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 and from advertisers. Breaches or intrusions to our systems or the systems of external service providers, including cloud-based systems, upon which we have been increasingly relying, 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 or the security measures of external service providers will prevent all security breaches, intrusions or attacks. A party, whether internal or external, that is able to circumvent our security systems or the systems of an external service provider 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. In early 2020, we were the victim of cyber-related fraud that involved electronic communications impersonating one of our vendors, resulting in our paying several outstanding invoices together totaling less than €1 million to foreign accounts controlled by the impersonator. 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 European data protection laws (described in detail below), have 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-U.S. 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, Brazil and California or may need do so as a result of changes in U.S. federal, state or other national data protection laws. We may also incur costs to comply with new requirements and restrictions for data transfers between the European Union and the United Kingdom based on applicable regulations following that the United Kingdom exit from 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 and changing rapidly as a result of decisions delivered by courts. 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. Whereas it is currently still unclear if and when the proposed e-Privacy Regulation will enter into effect, European regulators and courts tend to apply the current law more restrictively in a way which would effectively anticipate opt-in requirements under the proposed e-Privacy Regulation. European regulators increasingly take efforts to enforce their positions.

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, in particular as we fully migrated to our new back-end infrastructure and opted to use more cloud-based services. We may experience service 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 service, which, in turn, can have a material adverse effect on our financial condition, business and results of operation. 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.

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, 2017, 2018 or 2019, 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, 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 and financial management. 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 2019, our certain changes to our back-end infrastructure for our accommodation search platform became fully operational. 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. 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 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 have relied 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. We believe this occurred when the Australian Federal Court issued a judgment finding that we had engaged in conduct in breach of the Australian Consumer Law. 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, most recently, a novel strain of coronavirus first identified in Wuhan, Hubei Province, as well as other pandemics and epidemics, have disrupted normal travel patterns and levels in the past. So far in 2020, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the global and local economy, the travel industry and our business and financial performance. 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.

Our platform is available in a number of jurisdictions. We face complex, dynamic and varied risk landscapes in the jurisdictions in which our platform is available. We must tailor our services and business models to the unique circumstances of each of the many countries and markets in which our platform is available. 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 our platform is available, 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.

Our platform is available in a large number of jurisdictions 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. We also often make changes to our internal organizational structure to support operational autonomy and individual advancement.

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 entered into by 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 (the "Amended and Restated Shareholders' Agreement") in connection with our IPO contains certain provisions that could affect the composition of our senior management. Pursuant to the Amended and Restated Shareholders' Agreement, certain transition arrangements have been agreed for succession of our Chief Executive Officer. Mr. Schrömgens ceased to serve as our Chief Executive Officer on December 31, 2019, on which date a "Transition Period" of three years commenced. During the first eighteen months of the Transition Period, and unless a Founder is serving as our Chief Executive Officer (which is presently not the case), ELPS has the right to select for binding nomination two management board members and our Chief Executive Officer has the right to select all other management board members for binding nomination, subject to approval by the supervisory board. Also, during the Transition Period, the Amended and Restated Shareholders' Agreement stipulates certain arrangements for the appointment of our (successor) Chief Executive Officer, including by expanding our supervisory board by two seats (one of which to be filled on the basis of a selection by the Founders and the other on the

basis of a selection by ELPS) and the formation of a three-person nomination committee of the supervisory board which shall be entitled to nominate a successor Chief Executive Officer, subject to the approval of ELPS, and thereafter, the supervisory board.

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 ADSs 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.

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

We have made small strategic acquisitions in the past. 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 key 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 Booking Holdings and Expedia Group, 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 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. In the event of such default or termination, we could incur significant losses or reduced revenue, which could adversely impact our business, results of operations, financial condition and prospects.

4.2.3. 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, 2019, Expedia Group owned Class B shares representing 59.3% of our issued share capital and 68.1% 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, subject to certain exceptions, 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), a Founder must consent to certain corporate matters. This requirement limits 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 have the ability to nominate three members of 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 recent years, Expedia Group, and brands affiliated with it, consistently accounted for a substantial portion 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 prior 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.

4.2.4. 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, www.trivago.de and 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," or spelling variations on this, 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.

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.

4.2.5. 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.

We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code (or the 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. 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, 2019, Expedia Group owned Class B shares representing 59.3% of our share capital and 68.1% of the voting power in us, and the Founders owned Class B shares representing 26.3% of our share capital and 30.2% of the voting power in us due to the disparate voting powers associated with our dual-class share structure. 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 (Wetboek van Burgerlijke Rechtsvordering).

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. 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.

4.2.6. 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, given that substantially all of our operations (along with all employees and fixed assets) are in Germany, based on 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. 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 the 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 December 2019, 93 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 93 jurisdictions, 38 have also ratified the MLI. As of December 2019, Germany has, however, not ratified the MLI and, as a result, the MLI has not entered into force in Germany. Additionally, several countries have unilaterally adopted digital services taxes, with other countries planning to adopt such taxes in the future. There have also been other initiatives at the level of the OECD that may impact the digital economy through the reallocation of taxing rights in respect of income attributable to countries where digital enterprises have their target markets or digital presence. Such digital services taxes and other initiatives could result, depending on how they are ultimately implemented, in incremental taxes, and thus may adversely impact our business, results of operations, financial condition and prospects.

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.

We are constantly exploring changes to our business structures to support our operations while managing operational and financial risk for ourselves and our shareholders and to make our services more financially attractive to our customers. Though these changes would be undertaken to manage operational and financial risk, we may experience unanticipated material tax liabilities which could have a material adverse effect on our business, results of operations, financial condition and prospects.

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 believe that we should be treated as a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2019 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 taxable year ended December 31, 2019 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 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, however, by an application filed by the tax payer for 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 while they 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 tax, which could mean that a dividend is effectively taxed twice. Our ADSs have been issued by a depositary 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.

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 dividend 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.

5. Corporate Governance
5.1. Dutch Corporate Governance Code

For the fiscal year ended 31 December 2019, the Dutch Corporate Governance Code 2016 ("DCGC") applies to trivago. The text of the DCGC is publicly available on the website of the Monitoring Committee Corporate Governance Code:

http://www.mccg.nl.

We acknowledge the importance of good corporate governance. However, at this stage, we do not comply with all the best practice 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 Company's most substantial deviations from the best practice provisions of the DCGC are summarized below. We may deviate from additional best practice provisions in the future.

In order to safeguard independence of the supervisory board, the DCGC recommends that:

i. 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;
ii. 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
iii. 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. See section "*5.6 Supervisory Board*". 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 four 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 will be a "controlled company" within the meaning of the Nasdaq corporate governance standards, we do not believe that a selection and appointment committee will be beneficial for our governance structure. We will not 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 U.S., the terms of office of our supervisory board members run and end simultaneously. Our supervisory board continuously monitors succession of its members as well as the managing board members. In light of this, we have not drawn up a retirement schedule.

- The DCGC recommends that management board members are appointment for a maximum period of four years. During our 2018 annual general meeting, Axel Hefer (CFO) was re-appointed for a five-year term, given his important role within the company.

- Under our articles of association (the "**Articles**"), 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 (the "**General Meeting**") strips the binding nature of the nomination (in which case a new nomination shall be prepared for a subsequent General Meeting). Our articles of association will provide that the General Meeting 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 the Articles, members of the management board and the supervisory board can only be dismissed by the General Meeting 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 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 deviates from this recommendation and grants equity awards to its supervisory board members, consistent with corporate practice for non-executive members of a board in the U.S., where the company has its listing.

- 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 proposes senior internal auditor.

- The DCGC recommends having 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 management and supervisory boards have 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 directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities. See section "*5.5 Management Board*."

- The DCGC recommends that certain aspects need to be taken into consideration when formulating the compensation policy. The Company's current Compensation Policy (established before the current DCGC entered into force) does not take the following aspects into account: (i) pay ratios within the Company, (ii) variable compensation for management board members being based on measurable metrics, (iii) a retention period for shares granted as equity compensation and (iv) options for shares not being exercisable for the first three years after being granted. The reason for the deviation from the recommendations under (i) and (ii) is that our supervisory board has deemed it more suitable to base management board compensation on a qualitative evaluation. The reason for the deviation from the recommendations under (iii) and (iv) is to be consistent with corporate practice for non-executive members of a board in the U.S., where the company has its listing.

- The DCGC further recommends that the compensation report include, among other things, statements on (i) scenario analysis's being performed, (ii) the pay ratios within the company and (iii) the relationship between the variable part of a director's compensation (and the measurable metrics on which the variable compensation is based) and the contribution of such compensation to long-term value creation. Although we have been working, also involving a specialized consultant, on a variety of aspects around our compensation program and related disclosure including some of the above, we do not fully comply with the relevant provisions from the DCGC. The main reason for each of (i) through (iii) above, is that our supervisory board has deemed other elements more suitable to base management board compensation and related disclosure on.

- The DCGC suggests that the annual statements of the Company include a (separate) report by the supervisory board. For purposes of consistency with our US annual report, this annual report does not include a separate supervisory report. However, the elements that the DCGC recommends to be covered by the (separate) supervisory board report are covered throughout this annual report, which is signed by each of our supervisory directors.

5.2. Other Codes of Conduct or Corporate Governance Practices

In addition to the DCGC, trivago is subject to and complies with its Code of business conduct and ethics. The text of trivago's Code of business conduct and ethics is publicly available on our website:

http://ir.trivago.com/phoenix.zhtml?c=254450&p=irol-govHighlights

5.3 Risk management and control systems

See chapter 4.1 "*Risk management, risk appetite and control systems*" of this report for an overview of the main characteristics of the Company's risk management and control systems relating to the process of financial reporting by the Company and the Company's group companies whose financial information is included in the Consolidated Financial Statements.

5.4. General meeting of shareholders

The General Meeting may be held in Amsterdam, Arnhem, Assen, The Hague, Haarlem, 's-Hertogenbosch, Groningen, Leeuwarden, Lelystad, Maastricht, Middelburg, Rotterdam, Schiphol (Haarlemmermeer), Utrecht or Zwolle, the Netherlands.

The Company must hold at least one General Meeting each year, to be held within six months after the end of our fiscal year. This annual General Meeting shall be called by the management board and/or the supervisory board in accordance with applicable law. In addition, a General Meeting must also be held within three months if our management board has determined it to be likely that the Company's equity has decreased to an amount equal to or lower than half of its paid up and called up capital. If the management board and/or the supervisory board has/have failed to ensure that a General Meeting as referred to in the preceding sentences is held in a timely fashion, each shareholder and other person entitled to attend General Meetings may be authorized by the Dutch court to convene the General Meeting.

Our management board and/or supervisory board may convene extraordinary General Meetings whenever they so decide. One or more shareholders and/or others entitled to attend General Meetings, alone or jointly representing at least 10% of our issued share capital, may on their application, be authorized by the Dutch court to convene a General Meeting. The Dutch court will disallow the application if it does not appear that the applicants have previously requested the management board and the supervisory board to convene a General Meeting and that neither the management board nor the supervisory board has taken the necessary steps so that such General Meeting could be held within six weeks after the request.

General Meetings are convened in the manner and with reference to applicable law and stock exchange requirements, with due observance of a convening notice of at least 15 days, by a notice which includes (i) the subjects to be discussed, (ii) the place and time of the General Meeting, (iii) the procedures for participation in the General Meeting and the exercise of voting rights in person or by proxy, and (iv) such other items as must be included in the notice pursuant to applicable law and stock exchange rules. One or more shareholders and/or others entitled to attend General Meetings, alone or jointly representing at least 3% of the issued share capital, have the right to request the inclusion of additional items on the agenda of General Meetings. Such requests must be made in writing, substantiated and received by us no later than on the 60th day before the day of the relevant General Meeting. No resolutions are to be adopted on items other than those which have been included on the agenda as voting items.

Under the DCGC, shareholders and others entitled to attend General Meetings who wish to exercise their rights to request the convening of a General Meeting or to put matters on the agenda, as discussed above, should first consult the management board. If the envisaged exercise of such rights might result in a change to the Company's strategy, the DCGC allows the management board to invoke a response period of up to 180 days. If invoked, the management board should use such response period for further deliberation and constructive consultation and explore alternatives. This shall be monitored by the supervisory board. The response period may be invoked only once for any given General Meeting and shall not apply (i) in respect of a matter for which a response period has been previously invoked, or (ii) if a shareholder holds at least 75% of the Company's issued share capital as a consequence of a successful public bid.

Shareholders as well as others entitled to attend General Meetings, are entitled, in person or by proxy, to address the General Meeting and, to the extent that they have such right, to vote at the General Meeting, in each case provided that such shareholder or other person has notified the Company of his intention to attend the General Meeting no later than seven days before the day of the meeting, unless the convening notice indicates otherwise.

Unless otherwise provided for by the management board or applicable law, and regardless of who would be entitled to attend the General Meeting in the absence of a record date as set forth in the applicable provisions of the Dutch Civil Code, persons entitled to attend the General Meeting are those who, on the record date (if determined by the management board), have voting rights and/or meeting rights and have been registered as such in a register designated by the management board for that purpose. The record date (if determined by the management board) must be the 28th day prior to that of the General Meeting concerned.

The Articles do not attribute specific powers to the General Meeting, in addition to those which follow from Dutch law.

5.5. Management Board and chief financial officer

Name	Age	Position
Axel Hefer	42	Managing Director for Finance, Legal, International, Marketing, Marketplace, Product, People and Culture (Chief Executive Officer)
Matthias Tillmann	36	Chief Financial Officer*
Johannes Thomas	32	Managing Director for Advertiser Relations

*Mr. Tillmann's appointment as Chief Financial Officer became effective on December 31, 2019. He will not be a member of our management board until he is nominated to such position by the supervisory board and is appointed at our annual general meeting of shareholders.

The following paragraphs set forth biographical information regarding our management board members as well as our chief financial officer.

Axel Hefer currently serves as chief executive officer of the company. He was initially appointed as managing director and chief financial officer of the company in 2016. 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.

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.

Matthias Tillmann joined trivago in 2016 and has held a variety of leadership responsibilities in the finance department. He most recently co-led the team as Senior Vice President, Head of Corporate Finance and prior to that was Head of Strategy and Investor Relations. Prior to joining trivago, he was a senior investment banker at Deutsche Bank AG. Mr. Tillmann holds a diploma in mathematics and economics from the University of Münster (WWU).

5.5.1. Changes to our management board in 2019; appointment of chief financial officer

- On December 31, 2019, Rolf Schrömgens's resignation as chief executive officer and managing director became effective and, on that date, Mr. Schrömgens was designated by our supervisory board as temporary member of our supervisory board (see below under "*5.6.1. Changes to our supervisory board in 2019*" below).
- On December 31, 2019, Axel Hefer, who previously served as our chief financial officer, succeeded Mr. Schrömgens as chief executive officer. Matthias Tillmann, who previously served as Senior Vice President and Head of Corporate Finance, became our chief financial officer.

The management board met 32 times in 2019.
The size and composition of our management board and the combined experience and expertise of its members should reflect the best fit for trivago's profile and strategy, irrespective of gender. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in trivago, as of the date of this board report, having a management board in which all members are male.

5.6. Supervisory Board

Name	Age	Gender	Nationality	First appointment	Term of office	Attendance rate SB meetings
Robert Dzielak	49	M	USA	June 8, 2018	2021 AGM	100%
Ariane Gorin*	45	F	USA	December 12, 2019	—	—
Peter M. Kern (Chairman)	52	M	USA	December 16, 2016	2022 AGM	100%
Hiren Mankodi	46	M	USA	June 28, 2019	2022 AGM	100%
Frédéric Mazzella	43	M	French	December 8, 2016	2022 AGM	100%
Niklas Östberg	39	M	Swedish	December 8, 2016	2022 AGM	60%
Rolf Schrömgens*	43	M	German	Decmber 31, 2019	—	—

*Ariane Gorin and Rolf Schrömgens were designated as temporary members of our supervisory board, pending their appointments by our general meeting of shareholders in 2020. They were both appointed after the last supervisory board meting in 2019. For more information, see "*5.6.1. Changes to our supervisory board in 2019*" 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 Expedia Group 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 Expedia Group 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.

Ariane Gorin is President of Expedia Business Services (EBS). In 2019, EBS was formed by combining two of Expedia Group's B2B businesses – Expedia Partner Solutions (EPS) and Egencia. The former, EPS, leverages the best of Expedia Group's partner facing API and template products to power thousands of travel partners around the world. The latter, Egencia, is Expedia Group's corporate travel brand and helps businesses large and small across more than 60 countries reimagine business travel management. Ms. Gorin joined Expedia in 2013 as Vice President of Market Management for EMEA and led the EMEA team in rapidly expanding the hotel network in the region. Prior to joining Expedia, Ms. Gorin spent 10 years at Microsoft in various sales, distribution and marketing roles. Before joining Microsoft, she was a consultant with the Boston Consulting Group, both in San Francisco and in Paris. Ms. Gorin received an M.B.A. from the Kellogg Graduate School of Management, Northwestern University and a B.A. in economics from the University of California at Berkeley. She currently serves on the board of directors of Adecco Group, and is on the advisory council of the Royal Philharmonic Orchestra in London.

Peter M. Kern has been a director of Expedia Group since completion of the IAC/Expedia Group spin-off and has served as Vice Chairman of Expedia Group since June 2018. Mr. Kern served on the Board of Directors of Tribune Media Company from October 2016 through the completion of Tribune Media's merger with Nextstar Media Group, Inc. in September 2019, and served as Tribune Media's Chief Executive Officer from March 2017 through September 2019. 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 also currently serves as Chairman of the Board of Directors of Hemisphere Media Group, Inc., a publicly-traded Spanish-language media company and as Chairman of the supervisory board of trivago N.V., a majority-owned subsidiary of Expedia Group, as well as 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 19 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 is the Founder and Chairman of BlaBlaCar and was its CEO during the first decade until 2016. Since 2018, Mr. Mazzella is Co-President of France Digitale, the largest startup association in Europe representing 1,500 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.

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.

Rolf Schrömgens was CEO of trivago N.V. until the end of 2019. 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).

5.6.1. Changes to our supervisory board in 2019

- On June 28, 2019, Hiren Mankodi was appointed to our supervisory board after initially being designated as a temporary member of the supervisory board in 2018.
- In October 2019, David Schneider resigned from our supervisory board and audit committee.
- On November 5, 2019, Frédéric Mazzella was appointed to the audit committee.

- On December 12, 2019, Mark Okerstrom resigned from our supervisory board and compensation committee. On the same date, the supervisory board designated Ariane Gorin as temporary member of our supervisory board and appointed her to our compensation committee.
- On December 12, 2019, Peter Kern was appointed chairman of the supervisory board, and Robert Dzielak was appointed chairman of our compensation committee.
- On December 31, 2019, our supervisory board's designation of Rolf Schrömgens as temporary member of our supervisory board became effective.

Mr. Schrömgens' and Ms. Gorin's designations as temporary members of the supervisory board are pending their respective appointments to our supervisory board by our general meeting of shareholders in 2020. Upon his or her designation as temporary member of the supervisory board, Mr. Schrömgens and Ms. Gorin each have all powers and responsibilities of a supervisory board member, as if he or she had been appointed by the general meeting of shareholders.

The following members, including the chairman, of the supervisory board are, given their respective positions within the Expedia Group, materially not independent for purposes of the DCGC: Mr. Kern, Mr. Dzielak and Ms. Gorin. For more information on our corporate governance structure, see section "*7. Related Party Transactions*."

The size and composition of our supervisory board and the combined experience and expertise of its members should reflect the best fit for trivago's profile and strategy, irrespective of gender. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in trivago, as of the date of this board report, having a supervisory board in which one member is female.

5.7. Activities of and evaluation by the 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 five members and two temporary members, pending their appointment at our annual general meeting of shareholders in June 2020. 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.

The supervisory board met five times in 2019 and discussed, among other topics, the Company's financial results and public disclosures and the Company's strategy and business plan.

During the fiscal year to which this report relates, the supervisory board has evaluated its own functioning, the functioning of the committees of the supervisory board and that of the individual members of the supervisory board and management board on the basis of self-evaluation form distributed to, and completed by, the managing directors and supervisory directors. As part of these evaluations, the supervisory board has considered (i) substantive aspects, mutual interaction and the interaction between the supervisory board and the management board, (ii) events that occurred in practice from which lessons may be learned and (iii) the desired profile, composition, competencies and expertise of the supervisory board. In addition, the management board has evaluated its own functioning and that of the individual managing directors. These evaluations are intended to facilitate an examination and discussion by the management board and the supervisory board of their effectiveness and areas for improvement. On the basis of these evaluations, the supervisory board has concluded that the management board and the supervisory board are functioning properly.

5.8. Committees

5.8.1. Introduction

Our supervisory board has established two committees: the Audit Committee and a compensation committee (the "**Compensation Committee**").

As at December 31, 2019, the committees were composed as follows:

Name	Compensation Committee (and attendance rate)	Audit committee (and attendance rate)
Hiren Mankodi*	N/A	X (100 % attendance)
Niklas Östberg	N/A	X (88 % attendance)
Frédéric Mazzella**	N/A	X (N/A)
Bob Dzielak***	X (100 % attendance)	N/A
Ariane Gorin****	X (N/A)	N/A

* Chairman of the Audit Committee
** Became a member of the Audit Committee on November 5, 2019, after the last committee meeting of 2019.
*** Chairman of the Compensation Committee
**** Became a member of the Compensation Committee December 12, 2019, after the last committee meeting of 2019.

Copies of the committee charters of trivago are available on trivago's website at http://ir.trivago.com/phoenix.zhtml?c=254450&p=irol-govHighlights or in print to shareholders upon request, addressed to trivago N.V.'s Corporate Secretary at Kesselstraße 5 - 7, 40221 Düsseldorf, Germany.

5.8.2. Audit Committee and Audit Committee Financial Expert

The audit committee currently consists of Messrs. Mankodi, Östberg and Mazzella 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.

During 2019, Mr. Alan Pickerill had observer status on our Audit Committee until his resignation on December 4, 2019 as the Chief Financial Officer of Expedia Group, Inc., our indirect majority shareholder. He relied 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 auditor, without members of our management board being present.

During the fiscal year to which this report relates, the Audit Committee met seven times in order to carry out its responsibilities. The main items discussed at those meetings included the Company's financial results, public disclosures, internal control over financial reporting, and the status of the audit.

5.8.3. Compensation Committee

The compensation committee currently consists of Mr. Dzielak and Ms. Gorin, 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. Dzielak 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.

During the fiscal year to which this report relates, the Compensation Committee met five times in order to carry out its responsibilities. The main items discussed at those meetings included the Company's compensation policy, the Omnibus Incentive Plan and executive compensation.

6. Compensation Report

6.1. Compensation policy

Pursuant to Section 2:135(1) DCC, our General Meeting has adopted a compensation policy for our management board members (the "**Compensation Policy**"). The Compensation Policy is designed to:

- attract, retain and motivate management board members with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business;

- drive strong business performance, promote accountability, give management board members the incentive to achieve short and long-term performance targets with the objective of substantially increasing the Company's equity value;

- assure that the interests of the management board members are closely aligned to those of the Company, its business and its stakeholders; and

- ensure the overall market competitiveness of the compensation packages which may be granted to the management board members, while providing the supervisory board sufficient flexibility to tailor the Company's compensation practices on a case-by-case basis, depending on the market conditions from time to time.

We believe that this approach and philosophy will benefit the realization our long-term objectives while keeping with our risk profile.

The supervisory board is currently not contemplating to propose any change to the Compensation Policy or the implementation thereof in the upcoming fiscal years.

6.1.1. Compensation principles

6.1.1.1. 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 doing so, we benchmark our management's compensation, both in terms of their base cash compensation, cash bonus and equity incentive award, against that of the management of similarly situated companies in the United States and Europe including companies with a similar financial profile and those in the same sector (technology). 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 qualitative goals. The supervisory board assesses the achievement of these goals on an individual basis. For the purpose of determining the bonus amounts, we measured the performance of senior management with reference to alignment with the Company's goals, the business impact of senior management on those goals, the team building capabilities of senior management and a peer evaluation of senior management performance. Taking these factors into consideration, bonus payments and any equity award compensation are determined at the discretion of our supervisory board and, with respect to senior management reporting to the CEO, considering recommendations made by the CEO.

6.1.1.2. 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 "2.4.13. *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.

6.1.1.3. 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.

6.2. Compensation of managing directors

See note 11 in the Notes to the Consolidated Financial Statements (section 9).

6.3. Compensation of supervisory directors

See note 11 in the Notes to the Consolidated Financial Statements (section 9).

7. Related Party Disclosures

For related party transactions that occurred in 2019, see Note 11 - Related Party Disclosures in the Notes to the Company Financial Statements (section 10). Best practice provision 2.7.5 of the DCGC, has been observed with regard to such transactions. No transactions of significance in which members of our management board or our supervisory board had a conflict of interest, occurred in 2019.

7.1. 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.

7.1.1. 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.

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 "5. Corporate Governance." 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.

7.1.2. Agreements regarding the management board

Pursuant to the Amended and Restated Shareholders' Agreement, certain transition arrangements have been agreed for succession of our Chief Executive Officer. Mr. Schrömgens ceased to serve as our Chief Executive Officer on December 31, 2019, on which date a "Transition Period" of three years commenced. During the first eighteen months of the Transition Period, and unless a Founder is serving as our Chief Executive Officer (which is presently not the case), ELPS has the right to select for binding nomination two management board members and our Chief Executive Officer has the right to select all other management board members for binding nomination, subject to approval by the supervisory board. Also, during the Transition Period, the Amended and Restated Shareholders' Agreement stipulates certain arrangements for the appointment of our (successor) Chief Executive Officer, including by expanding our supervisory board by two seats (one of which to be filled on the basis of a selection by the Founders and the other on the basis of a selection by ELPS) and the formation of a three-person nomination committee of the supervisory board which shall be entitled to nominate a successor Chief Executive Officer, subject to the approval of ELPS, and thereafter, the supervisory board.

7.1.3. 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.

7.1.4. 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.

7.1.5. 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.

7.2. 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 (informele kapitaalstorting) 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.

7.3. 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, 2018 and 2019, €0.0 million was drawn from our €50.0 million credit facility.

7.4. 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.

7.5. 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.

7.6. Commercial relationships

We currently have commercial relationships with many Expedia Group affiliated brands, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif, Vrbo 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, 2017, 2018 and 2019, Expedia Group and its brands in each of the years accounted for 36% of our total revenues.

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

7.8. Agreements with management board or supervisory board members

For a description of our agreements with our management board and supervisory board members, please see section "*5.5. Management Board*" and "*5.6. Supervisory Board*."

7.9. myhotelshop

Subsequent to the deconsolidation of myhotelshop in December 2017, myhotelshop remains a related party to trivago. Related-party revenue from myhotelshop of €2.3 million and €2.8 million for the years ended December 31, 2018 and 2019, respectively, primarily consists of referral revenue.

7.10. 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.

8. Protective Measures

Dutch law allows Dutch companies to have certain protective measures in place, in order to safeguard the interests of a company, its business and its stakeholders. The Articles include certain provisions that may discourage a potential bidder and may be perceived as protective measures.

- The authorized share capital of the Company includes and the Company has issued class B shares, which are not listed and carry ten votes in the General Meeting each, whereas a class A shares (represented by the Nasdaq listed American Depositary Shares) carry only one vote in the General Meeting each.

- Management board members and supervisory board members can be appointed only pursuant to 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 strips the binding nature of the nomination, which requires a resolution by a two thirds majority representing at least half of the issued share capital.

- Certain material resolutions can only be adopted by the General Meeting at the proposal of the management board subject to the approval of the supervisory board. These resolutions include the resolutions to issue shares, to exclude preemption rights, to decrease the issued share capital, to amend the Articles, to enter into a merger or demerger or to liquidate the company.

9. trivago N.V.

Consolidated Financial Statements
as of December 31, 2019

trivago N.V.

trivago N.V.
Consolidated Statement of Profit or Loss
for the period from January 1, 2019 to December 31, 2019

in kEUR	Notes	2019	2018
Revenue from contracts with customers	4.1	838,617	914,816
Cost of sales	4.2	9,187	5,468
Gross profit		**829,430**	**909,348**
Selling and distribution expenses	4.3	663,316	806,001
Technology and content	4.4	69,025	68,326
General and administrative expenses	4.5	52,567	56,087
Other operating expense/(income), net		429	(682)
Operating profit/(loss)		**44,093**	**(20,384)**
Finance income		—	—
Finance expense	4.8	3,874	66
Share of profit of an associate		453	63
Profit/(loss) before taxes		**40,672**	**(20,386)**
Income taxes expense/(income)	4.9	20,997	1,832
Profit/(loss) for the year		**19,675**	**(22,218)**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	4.10	0.06	(0.06)
Diluted, profit for the year attributable to ordinary equity holders of the parent	4.10	0.06	(0.06)

trivago N.V.

Consolidated Statement of Other Comprehensive Income or Loss for the period from January 1, 2019 to December 31, 2019

in kEUR	Notes	2019	2018
Profit/(loss) for the year		**19,675**	**(22,218)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	1.3	151	91
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**151**	**91**
Other comprehensive income/(loss) for the year		**151**	**91**
Total comprehensive income/(loss) for the year		**19,826**	**(22,127)**

trivago N.V.
Consolidated Statement of Financial Position as at December 31, 2019

in kEUR	Notes	Year ended December 31, 2019	2018
Property, plant and equipment	5.2	24,758	25,968
Goodwill	5.1	3,495	3,434
Intangible assets	5.1	8,125	8,761
Right-of-use assets	5.10	95,572	—
Other assets	5.5	6,584	6,107
Deferred tax assets	4.9	3,349	5,326
Non-current assets		**141,883**	**49,596**
Trade receivables	5.3	36,201	53,270
Trade receivables, related parties	5.4	31,139	39,655
Short-term investments		10,000	—
Other assets	5.5	6,532	10,290
Income tax receivables	5.5	8,565	281
Cash and cash equivalents	5.6	218,106	161,871
Current assets		**310,543**	**265,366**
Assets		**452,426**	**314,963**
Common stock A shares	5.7	3,049	2,554
Common stock B shares	5.7	181,013	185,213
Other capital reserves	5.7	102,250	80,935
Contribution from Parent	5.7	122,307	122,307
Retained earnings	5.7	(118,672)	(138,348)
Other comprehensive income	5.7	105	(46)
Total stockholder's equity		**290,052**	**252,615**
Lease liabilities	5.10	95,141	—
Other liabilities	5.9	1,041	3,711
Non-current liabilities		**96,182**	**3,711**
Lease liabilities	5.8	5,308	—
Trade payables	5.9	33,303	32,731
Income tax liabilities	4.9	3,406	1,221
Other liabilities	5.9	24,175	24,685
Current liabilities		**66,192**	**58,637**
Equity and liabilities		**452,426**	**314,963**

trivago N.V.

Consolidated Statement of Changes of Equity

for the period from January 1, 2019 to December 31, 2019

in kEUR	Notes	Common stock A shares	Common stock B shares	Other capital reserves	Contribution from Parent	Retained earnings	Accumulated other comprehensive income	Total equity
December 31, 2017 (as previously reported)		**1,855**	**191,880**	**51,590**	**122,307**	**(116,154)**	**(137)**	**251,340**
Effect of adoption of new accounting standards		—	—	—	—	25	—	25
January 1, 2018 (restated)		**1,855**	**191,880**	**51,590**	**122,307**	**(116,129)**	**(137)**	**251,365**
Profit/(loss) for the period		—	—	—	—	(22,218)	—	(22,218)
Other comprehensive income (net of tax)		—	—	—	—	—	91	91
Issued capital, options exercised	8.0	32	—	129	—	—	—	161
Share-based compensation expense	8.0	—	—	23,216	—	—	—	23,216
Conversion of Class B shares	5.7	667	(6,667)	6,000	—	—	—	—
December 31, 2018		**2,554**	**185,213**	**80,935**	**122,307**	**(138,347)**	**(46)**	**252,615**
Profit/(loss) for the period		—	—	—	—	19,675	—	19,675
Other comprehensive income (net of tax)		—	—	—	—	—	151	151
Share-based compensation expense	8.0	—	—	17,408	—	—	—	17,408
Conversion of Class B shares	5.7	420	(4,200)	3,780	—	—	—	—
Issued capital, options exercised	8.0	75	—	127	—	—	—	202
December 31, 2019		**3,049**	**181,013**	**102,250**	**122,307**	**(118,672)**	**105**	**290,052**

trivago N.V.
Consolidated Statement of Cash Flows
for the period from January 1, 2019 to December 31, 2019

in kEUR	Notes	2019	2018
Cash flow from operating activities			
Profit/(loss) for the year		19,675	(22,218)
Adjustments to reconcile profit/(loss) to net cash flows:			
Finance expense	4.8	3,874	66
Deferred income taxes	4.9	1,933	(1,009)
Foreign exchange (gain)/loss	7.0	429	587
Bad debt (recovery)/expense		900	371
Depreciation of property, plant and equipment and right-of-use assets	5.2, 5.10	12,225	6,108
Amortization of intangible assets	5.1	4,585	3,822
Impairment of intangible assets		96	1,463
Share-based payment expense	8.0	17,408	23,216
Share of profit of an associate		(453)	(63)
Gain/(loss) on disposal of property, plant and equipment		2	632
Gain on settlement of asset retirement obligation		(209)	—
		60,465	12,975
Working capital adjustments:			
Change in Accounts receivable, including related party		24,615	(13,488)
Change in Other assets		3,731	11,474
Change in Accounts payable		172	(18,201)
Change in Accrued expenses and other liabilities		306	3,236
Change in Taxes payable/receivable, net		19,072	2,929
		47,896	(14,050)
Income tax paid		(25,171)	(3,325)
Net cash flows from operating activities		**83,190**	**(4,400)**
Cash flow from investing activities			
Purchase of property, plant and equipment	5.2	(2,981)	(17,527)
Purchase and development of intangible assets	5.1	(5,189)	(6,927)
Purchase of financial instruments	6.0	(10,000)	—
Proceeds from the sale of property, plant and equipment and intangible assets		36	634
Net cash flows from investing activities		**(18,134)**	**(23,820)**
Cash flow from financing activities			
Payment of principal portion of lease liability	5.10	(5,234)	—
Interest paid	5.10	(3,883)	(223)
Proceeds from exercise of option awards	8.0	202	161
Net cash flows from financing activities		**(8,915)**	**(62)**
Net foreign exchange difference		94	(24)
Net increase in cash and cash equivalents		**56,235**	**(28,306)**
Cash and cash equivalents at beginning of the period		161,871	190,201
Cash and cash equivalents at end of the period	5.6	**218,106**	**161,871**

Notes to the Consolidated Financial Statements

1. General Information

1.1. Corporate Information

The corporate seat of trivago N.V. (formerly travel B.V.) is in Amsterdam, the Netherlands, and the registered office of the Company is at Kesselstraße 5 - 7, 40221 Düsseldorf, Germany. We are registered with the trade register (*handelsregister*) of the Chamber of Commerce (*Kamer van Koophandel*) in the Netherlands under number 67222927.

trivago also prepares financial statements under U.S. GAAP which are included in the consolidated financial statements of Expedia.

trivago and its subsidiaries (hereinafter also the “trivago Group”) offer online meta-search for hotel and accommodation through online travel agencies (“OTAs”), hotel chains and independent hotels. The 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.

trivago N.V. historically acted as a holding company of trivago GmbH, the historical operating company of the trivago Group. The 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.

As of December 31, 2019, Expedia’s ownership interest and voting interest in trivago N.V. is 59.3% and 68.1%, respectively. The Founders's Class B shares of trivago N.V. had an ownership interest and voting interest of 26.3% and 30.2%, respectively.

The Supervisory Board approved the consolidated financial statements of 2019 at its meeting on May 26, 2020.

1.2 Basis of preparation

The consolidated financial statements ofres trivago Group have been prepared in accordance with International Financial Reporting Standards "IFRS EU" or "IFRS" as issued by the International Accounting Standards Board (IASB) and adopted by the EU and Part 9 of Book 2 Dutch Civil Code.

General presentation

The consolidated financial statements are presented in Euros, the functional and presentation currency of trivago N.V. Unless stated otherwise, all amounts are in million of Euros (mEUR).

The consolidated statement of financial position is classified using the current/non-current distinction. trivago Group classifies assets as current if they are expected to be realized within twelve months after the end of the reporting period. Inventories are considered current assets even if they are not expected to be realized within twelve months after the end of the reporting period. Similarly, liabilities are classified as current if trivago is contractually required or has a constructive obligation to settle them within twelve months after the end of the reporting period.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2019.

The financial statements of all entities included in these consolidated financial statements have been prepared as of the same date as these consolidated financial statements.

As amounts (in mEUR) and percentages have been rounded, rounding differences may occur.

Measurement bases

Assets and liabilities are generally measured on the basis of historical cost. Financial instruments recorded at fair value through profit or loss represent an exception, as they are measured at fair value.

Estimation uncertainty and management judgment

In the preparation of financial statements in accordance with IFRS as adopted in the EU, management exercises judgment in making appropriate estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may

change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimates and the basis on which assumptions are made are reviewed regularly. Changes in estimates are recognized in the period in which the changes are made as well as in all subsequent periods affected by the changes.

The following significant issues are subject to estimation uncertainty with respect to the application of accounting policies and management judgment:

- identification of cash-generating units and determination of recoverable amounts for purposes of impairment tests of goodwill and non-current assets, (Reference is made to Note 5.1 of the Financial Statements),
- income taxes and the assessment of the recoverability of deferred tax assets (Reference is made to Note 4.9 of the Financial Statements),
- recognition of legal and tax contingencies (Reference is made to Note 9 of the Financial Statements),
- share-based payment (Reference is made to Note 8 of the Financial Statements),
- determining the lease term of contracts with renewal and termination options (Reference is made to Note 1.3 *Leases* of the Financial Statements).
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1.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently by all trivago Group entities for all periods presented in these consolidated financial statements.

Consolidation principles

The consolidated financial statements comprise the financial statements of trivago Group and its subsidiaries as at December 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

As at December 31, 2019 the consolidated financial statements of trivago Group include:

Group companies

Name	Principle activities	Country of incorporation	Equity interest
base7booking.com S.á.r.l. (in liquidation)	Software Development	Switzerland	100 %
trivago Spain S.L.U.	Software Development	Spain	100 %
trivago Hong Kong Ltd.	Sales and Marketing	Hong Kong	100 %
trivago (Shanghai) Information Consulting Co. Ltd.	Sales and Marketing	China	100 %
TGO (Thailand) Ltd.	Sales and Marketing	Thailand	100 %
trivago Service B.V.	Corporate Administration	Netherlands	100 %
base7Germany GmbH	Software Development	Germany	100 %
Tell Charlie B.V.	Software Development	Netherlands	100 %
trivago Hotel Relations GmbH	Sales and Marketing	Germany	100 %
trivago services US LLC	Data Hosting Services	USA	100 %
trivago Hotel Relations Spain	Software Development	Spain	100 %
Stichting trivago Warehousing	Share Foundation	Netherlands	100 %

As at December 31, 2018 the consolidated financial statements of trivago Group include:

Name	Principle activities	Country of incorporation	Equity interest
base7booking.com S.á.r.l. (in liquidation)	Software Development	Switzerland	100 %
trivago Spain S.L.U.	Software Development	Spain	100 %
trivago Hong Kong Ltd.	Sales and Marketing	Hong Kong	100 %
trivago (Shangai) Information Consulting Co. Ltd.	Sales and Marketing	China	100 %
TGO (Thailand) Ltd.	Sales and Marketing	Thailand	100 %
trivago Service B.V.	Corporate Administration	Netherlands	100 %
base7Germany GmbH	Software Development	Germany	100 %
Tell Charlie B.V.	Software Development	Netherlands	100 %
trivago Hotel Relations GmbH	Sales and Marketing	Germany	100 %
trivago services US LLC	Data Hosting Services	USA	100 %
trivago Hotel Relations Spain	Software Development	Spain	100 %

Balances and transactions with consolidated subsidiaries and any related income and expenses are eliminated in full in preparing the consolidatedK financial statements. Intercompany profits or losses on intra-group transactions and dividends paid within trivago Group are also eliminated in full. Deferred taxes on temporary differences related to the elimination of such balances and transactions are measured at the tax rate of the acquiring entity.

Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign entities

trivago Group presents its financial statements in Euros, trivago`s functional currency. Assets, including goodwill, and liabilities of subsidiaries whose functional currency is not the Euro are translated at the spot rate at the end of the reporting period. The components of equity are translated at historical rates, and items in the consolidated financial profit or loss are translated at the weighted average rate for each reporting period. The resulting translation differences are recognized in OCI and reported in accumulated other comprehensive income. The impact of currency translation recognized in shareholders' equity is reversed to profit or loss when consolidation of the subsidiary ceases.

Items in the consolidated statement of cash flows are translated at the weighted average exchange rate for the period except for cash and cash equivalents, which are translated at the spot rate at the end of the reporting period.

The exchange rates of major currencies developed as follows:

Foreign exchange rates

	Closing rate		Average rate	
	12/31/2019	**12/31/2018**	**2019**	**2018**
U.S. dollar	1.1216	1.1445	1.1196	1.1817

Business combination and Goodwill

Business combination are accounted for using the acquisition method. This involves the recognition of all identifiable assets and liabilities of the acquired operation at fair value.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at cost. Goodwill is subjected to an impairment test at a (group of) CGUs at least once annually or whenever there is any event or change in circumstance which might indicate impairment.

In order to test whether there is any impairment, goodwill acquired in the course of a business combination must be allocated from the date of acquisition to each of the cash-generating units of the trivago Group which are to profit from the synergy effects of the combination. This does not depend on whether other assets and liabilities of trivago Group are already allocated to these cash-generating units.

The impairment needs to be determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying value. The recoverable amount of an asset or a cash-generating unit is the higher of fair value of the asset or cash-generating unit less costs of disposal and its value in use. In order to determine the value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less costs of disposal. This is based on Discounted Cash Flow models, valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is regarded as impaired and is written down to the recoverable amount. An impairment loss recognized for goodwill may not be reversed in the following reporting periods. trivago Group performs its annual impairment test for goodwill on the balance sheet date.

Intangible assets

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of

consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to trivago Group`s intangible assets is as follows:

Useful life of intangible assets

	Amortization method used	Useful life
Technology	straight line	3
Software and software development costs	straight line	3

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when trivago Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Property, plant, and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, trivago Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are the profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

A summary of the policies applied to trivago Group’s property, plant and equipment is as follows:

Useful life of property, plant and equipment

	Amortization method used	Useful life
Computer equipment	straight line	3-5
Furniture and fixtures	straight line	3-5
Office equipment	straight line	3-5
Leasehold Improvements	straight line	Lesser of useful life or lease term (1 - 20 years)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases - prior to adoption of new accounting guidance

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases transferring substantially all rewards and risk of ownership to trivago are classified as finance leases. The leased asset is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

A liability is recognized at the same amount. Minimum lease payments made under finance leases are apportioned between finance costs and the reduction of the outstanding liability. Finance costs are allocated over the lease term so as to produce a constant period interest rate on the remaining balance of the liability.

Leases under which the lessor retains substantially all risks and rewards of ownership are classified as operating leases, and the related payments are expensed on a straight-line basis over the lease term.

Leases - subsequent to adoption of new accounting guidance

trivago assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

trivago as a Lessee

trivago applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. trivago Group recognises lease liabilities for future lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and decommissioning costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Useful life right-of-use assets

Leased asset	Amortization method used	Useful life	Remaining useful life at December 31, 2019
Office space	straight line	Lesser of useful life or lease term	1 - 19 years
Apartments	straight line	Lesser of useful life or lease term	1 - 8 years
Office equipment	straight line	Lesser of useful life or lease term	1 - 4 years

If ownership of the leased asset transfers to trivago Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, trivago Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. trivago determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by trivago and payments of penalties for terminating the lease, if the lease term reflects the trivago Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The company uses its estimated incremental borrowing rate as the discount rate in measuring the present value of lease payments given the rate implicit in our leases is not typically readily determinable. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Estimating the incremental borrowing rate requires assessing a number of inputs including an estimated synthetic credit rating, collateral adjustments and interest rates. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Reference is made to Note 5.10.

Short-term leases and leases of low-value assets

The trivago Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

trivago as a lessor

Leases in which trivago does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the trivago Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost includes trade receivables, certain current and non-current financial assets, and cash and cash equivalents.

Financial assets at fair value through OCI (debt instruments)
The trivago Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

No financial assets were classified as debt instruments at fair value through OCI in the reporting period.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

No financial assets were classified as equity instruments designated at fair value through OCI in the reporting period.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Provision for expected credit losses of trade receivables and contract assets

The trivago Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
The Group assesses of the correlation between historical observed default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Financial liabilities

trivago Group`s financial liability mainly compromise trade payables and other liabilities.

Financial liabilities are classified, at initial recognition, into the following categories:

- Financial liabilities at amortized cost;
- Financial liabilities at fair value through profit or loss.

trivago Group determines the classification of its financial liabilities at initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the reporting period.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, they are measured at amortized cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Fair value measurement

In some cases, assets and liabilities are measured either on initial recognition or during subsequent valuations at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be assessable to trivago Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant`s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

trivago Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3**: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of financial instruments and further details on how they are measured are provided in Note 6 “Financial instruments”.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, other investments, checks and cash in hand, which all have a high degree of liquidity and maturities of less than 3 months - calculated from the date of purchase.

Short-term investments

Our short-term investments consist of call deposit accounts with notice periods of more than three but fewer than 12 months.

Other provisions

Provisions are recognised when trivago Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where trivago Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share-based payment transactions

All 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 Expedia in 2013. Between 2018 and 2019, there were additional awards granted in connection with the Omnibus Incentive Plan to employees of trivago.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. As there is no trading history for Class A shares prior to the IPO, the expected share price volatility for Class A shares prior to the IPO was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period commensurate to the expected term. The expected term assumptions are based on the terms and conditions of the employee share option agreements, and scheduled exercise windows.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. We recognize the effect of forfeitures in the period that the award was forfeited.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is canceled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The majority of share options vest between one and three years and have contractual terms that align with prescribed liquidation windows.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

Significant estimates and assumptions for cash-settled transactions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of services are transferred to the customer at an amount that reflects the consideration to which the trivago Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Information about the Group's performance obligations are summarised below:

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 trivago Group 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 generally 12 months or less from the subscription commencement date. This revenue is recognized when trivago Hotel Manager services are performed over the subscription period with contract liabilities recognized upon receipt of payment in advance of revenue recognition. 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. This revenue is generated through subscription-based services earned through trivago Hotel Manager Pro applications

The trivago Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the trivago Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The trivago Group provides retrospective volume rebates to certain customers once the referrals generated during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the trivago Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The trivago Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Using the practical expedient in IFRS 15, the trivago Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group in general does not receive non-cash considerations from the customers.

A trade receivable represents the trivago Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The trivago Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Regarding leases, we consider the right-of-use asset and lease liability recognized at the commencement of a lease as a single transaction that gives rise to both a taxable temporary difference (on the asset) and a deductible temporary difference (on the liability).

Deferred tax assets are recognised for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised
- Deferred tax assets are recognized only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority or different entities that intend to realise the asset and settle the liability at the same time.

1.4 Accounting standards already published but not yet mandatory

The standards and interpretations that are issued, but not yet effective, for our current year financial statements and that will have an impact on trivago Group´s financial position or performance are disclosed below. trivago Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 7: Financial Instruments: Disclosures, IFRS 9: Financial Instruments, and IAS 39: Financial Instruments: Recognition and Measurement

In September 2019, the IASB issued amendments to IFRS 7, IFRS 9 and IAS 39 which address certain uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments are effective from 1 January 2020. The amendments to the financial instruments guidance is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendment clarifies that the right to defer settlement of certain liabilities must have substance, exist at the end of the reporting period and exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period. The amendment also clarifies how a company classifies a liability that includes a counterparty conversion option. The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2022. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

1.5 Changes in accounting policies and disclosures

IFRS 16 Leases

The trivago Group applied IFRS 16 *Leases* for the first time, which was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where trivago Group is the lessor.

trivago adopted IFRS 16 using the modified retrospective approach, under which comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings. Under the modified retrospective approach, the Company chose to measure right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The trivago Group further elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. trivago also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

trivago has also applied the available practical expedients wherein it:

– *Single discount rate:* to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (remaining term, class of underlying asset, and economic environment).

– *Onerous leases:* relied on its assessment of whether leases are onerous immediately before the date of initial application.

– *Short-term leases:* exclude leases from initial recognition for which the lease term ends within 12 months of the date of initial application or lease commencement.

– *Initial Indirect costs:* to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

– *Hindsight:* used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Upon adoption of IFRS 16, a single recognition and measurement approach is applied to all leases for which it is the lessee, except for short-term leases and leases of low-value assets. trivago recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17, which are included in these Notes to the Consolidated Financial Statements. The impact of the adoption of IFRS 16 on trivago's consolidated financial statements is described below and in Note 5.10.

In the initial recognition calculation of lease liabilities, trivago used a weighted average rate of 3.8 per cent to determine the net present value of future lease payments. As at December 31, 2018, €76.8 million was included in the commitment and contingency note related to future lease payments that have now been included in the initial finance lease obligations. trivago has recognized €104.4 million of lease liabilities on initial application of IFRS 16 on January 1, 2019.

€ millions	**As at December 31, 2019**
Operating lease commitment as at December 31, 2018	76.8
Present value impact	-11.2
Discount using the incremental borrowing rate at January 1, 2019	65.6
Recognition exemption for short-term leases	-3.0
Extension options reasonably certain to be exercised	41.8
Lease liabilities on adoption of IFRS 16	104.4
Lease liabilities recognized as at December 31, 2018	0.5
Lease liabilities as at January 1, 2019	104.9

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Other Amendments and Interpretations Effective in 2019

Several other amendments and interpretations applied for the first time in 2019, but did not have an impact on the consolidated financial statements of the trivago Group. trivago has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2. Business combinations

There were no business combinations in 2018 or 2019.

3. Segment information

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group`s internal organization and management structure, as well as internal financial reporting to the Chief Operating Decision Maker. In the trivago Group, the Managing Directors are responsible for assessing and controlling the success of the various segments.

The Managing Directors focus on managing the business to reflect unique market opportunities and competitive dynamics inherent in the business within each of the operating segments. The Managing Directors identified the following three operating segments:

- Americas
- Developed Europe
- Rest of World

Our Americas segment is comprised of Argentina, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, the United Sates 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. Rest of World segment represents all regions outside of the Americas and Developed Europe.

The Managing Directors mainly monitor the operating segments on the basis of key earning figures. The Managing Directors measure operating segment performance primarily on Return on Advertising Spend (“ROAS”), which compares referral revenue to advertising spend. ROAS includes the allocation of revenue by operating 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.

trivago Group`s financing (including finance expenses and finance income) and income taxes are not managed on operating segment level.

Corporate and Eliminations also includes all corporate functions and expenses except for direct advertising. In addition, 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, and other items excluded from segment operating performance were recorded in Corporate and Eliminations.

The following tables present the segment information:

ROAS of each segment

2019 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	347.1	305.1	171.5	—	823.6
Other sales	—	—	—	15.0	15
Total sales	347.1	305.1	171.5	15.0	838.6
Advertising Spend	230.3	233.9	152.5	—	616.7
ROAS contribution	116.8	71.2	19.0	15.0	221.9

2018 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	378.9	316.0	204.9	—	899.8
Other sales	—	—	—	15.0	15.0
Total sales	378.9	316.0	204.9	15.0	914.8
Advertising Spend	265.0	261.6	205.8	—	732.4
ROAS contribution	113.9	54.4	-0.9	15.0	182.4

In 2019, the trivago Group generated sales of 627.3 mEUR (prior year: 636.8 mEUR) from the top three key customers, representing approximately 75% (prior year: 70%) of total group sales. Segment revenue is comprised entirely of Referral Revenue. The Referral Revenue contribution from the top three key customers to trivago Group generated sales, in terms of amounts and percentages based on operating segments is as follows:

- Developed Europe (2019: 256.0 mEUR and 74%, 2018: 265.4 mEUR and 70%)
- Americas (2019: 238.5 mEUR and 78%, 2018: 237.7 mEUR and 75%)
- Rest of World (2019: 132.3 mEUR and 77%, 2018: 133.8 mEUR and 65%)

The following table shows the reconciliation from ROAS to profit for the year of trivago Group:

Reconciliation of segment information

in mEUR	**2019**	**2018**
Referral sales	823.6	899.8
Other sales	15.0	15.0
Total sales	**838.6**	**914.8**
Advertising Spend	**616.7**	**732.5**
ROAS contribution	**221.9**	**182.4**
Cost of sales	9.2	5.5
Other selling and marketing	46.6	73.5
Technology and content	69.0	68.3
General and administrative expenses	52.6	56.1
Other operating income/(expense)	(0.4)	0.7
Operating profit/(loss)	**44.1**	**(20.4)**
Finance income	—	—
Finance expense	3.9	0.1
Share of profit of an associate	0.5	0.1
Profit/(loss) before taxes	**40.7**	**(20.4)**
Income taxes	21.0	1.8
Profit/(loss) for the year	**19.7**	**(22.2)**

The following table shows the non-current assets by geographic area:

in mEUR	**2019**	**2018**
Property, plant and equipment	24.8	26.0
Intangible assets	8.1	8.8
Right-of-use assets	95.6	—
Other assets	6.6	6.1
Deferred taxes	3.3	5.3
Total	**138.4**	**46.2**
thereof: Germany	*135.9*	*43.2*
thereof: All other countries	*2.5*	*2.9*

4. Notes to the statement of profit or loss

4.1. Revenue from contracts with customers

Revenue from contracts with customers

in mEUR	2019	2018
Referral revenue	823.6	899.8
Other revenue	15.0	15.0
Total	**838.6**	**914.8**

The term "referral" describes each time a visitor to one of trivago`s websites or apps clicks on a hotel offer in search results and is referred to one of trivago`s advertisers. trivago charges advertisers for each referral on a cost-per-click, or CPC, basis. Referral sales in fiscal year 2019 decreased by 76.2 mEUR or 8.5% compared to fiscal year 2018. This reduction was primarily due to a decrease in the number of qualified referrals in the fiscal year 2019 compared to fiscal year 2018. The number of Qualified Referrals decreased to 522.0 million in the twelve months ended December 31, 2019, compared to 668.3 million for the same period in 2018, or by 21.9% year-over-year.

Other revenue is mainly related to trivago Hotel Manager Pro, which is sold on a subscription basis and allows hotels to enhance their profile with more advanced features and functionalities. Other revenue remained unchanged compared to fiscal year 2018.

The following table presents revenue by geographic area. Referral sales were allocated by country using the same methodology as the allocation of segment sales, while non-referral sales were allocated based upon the location of the customer using the service.

Revenue by geographic area

in mEUR	2019	2018
United States	192.5	194.4
United Kingdom	85.3	95.9
Germany	68.5	73.1
Australia	36.6	47.7
Spain	31.8	0.0
All other countries	423.9	503.7
Total	**838.6**	**914.8**

4.2 Cost of sales

Cost of sales consists of expenses that are directly or closely correlated to sales generation, including data center and third-party cloud-related service provider costs, salaries and share-based compensation for our data center operations staff and our customer service team who are directly involved in sales generation.

Cost of revenue for the year ended December 31, 2019 increased by €3.7 million, or 67.0%, compared to the year ended December 31, 2018 primarily driven by higher expenses for third-party cloud-related service providers of €3.4 million.

Cost of sales includes share-based compensation expenses in the amount of 0.3 mEUR (prior year: 0.2 mEUR). For further explanation see Note 8 "Share-based payment plan".

4.3 Selling and distribution costs

Selling and distribution costs consists of all selling and marketing related costs and is divided into advertising expense and other expenses.

Advertising expense consists of fees that the trivago Group pays for our various marketing channels like TV, 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 TV spots and other marketing material, as well as salaries and share-based compensation for the marketing, sales and hotel relations teams.

Selling and distribution costs

in mEUR	2019	2018
Advertising expenses	616.7	732.5
Other selling and marketing expenses	46.6	73.5
thereof: Share-based compensation	2.3	3.0
Total	**663.3**	**806.0**

Selling and marketing expenses for the year ended December 31, 2019 decreased by 142.7 mEUR, or 17.7% compared to the year ended December 31, 2018, primarily due to the reductions in Advertising Spend we made starting in the first half of 2019. We implemented reductions in Advertising Spend across all segments, and they were reflected in reduced brand and performance marketing expenditure and increased return on investment targets for our brand marketing campaigns. These measures resulted in a decline of 115.8 mEUR or 15.8% in Advertising Spend for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Other selling and marketing expenses excluding share-based compensation for the year ended December 31, 2019 decreased by 26.3 mEUR, or 37.3%, compared to the year ended December 31, 2018, primarily driven by decrease in personnel-related costs and a decrease in production costs for TV advertisement.

Share-based compensation decreased by 0.7 mEUR or 23.3%, in the year ended December 31, 2019 compared to the year ended December 31, 2018, mainly driven by award forfeitures partially offset by new grants during the year. For further explanation of share-based compensation see Note 8 “Share-based payment plan”.

4.4 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.

Technology and content

in mEUR	2019	2018
Personnel costs	37.0	36.3
Share-based compensation	5.9	6.2
Depreciation and amortization	9.8	5.1
Other	16.3	20.7
Total	**69.0**	**68.3**

Technology and content expense for the year ended December 31, 2019 increased by 0.7 mEUR, or 1.0%, compared to the year ended December 31, 2018, mainly due to a €4.7 million, or 92.2% increase in the depreciation of technology assets as a result of the adoption of the new leasing standard IFRS 16 on January 1, 2019.

Personnel costs increased by 0.7 mEUR, or 1.9% mainly due to higher compensation expense and related social security amounts, as well as lower capitalization of our developers' salaries in the first half of the year 2019, compared to the year ended December 31, 2018.

Other expenses decreased by 4.4 mEUR, or 21.3%, mainly due to a reduction in operating lease costs due to the adoption of IFRS 16 and a decrease in external content development costs as we reduced our investment in external service providers for hotel descriptions. This decrease was partially offset by a 1.2 mEUR increase in costs for third-party IT service providers, as our data center expense increased, and as we continued to invest in our platform to improve our users' experience.

Our share-based compensation decreased by 0.3 mEUR for the year ended December 31, 2019 compared to the year ended December 31, 2018, mainly driven by award forfeitures partially offset by new grants during the year. For further explanation of share-based compensation see Note 8 “Share-based payment plan”.

4.5. General and administrative expenses

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 other overhead costs, depreciation and share-based compensation.

General and administrative expenses

in mEUR	**2019**	**2018**
Personnel costs	16.9	17.3
Share-based compensation	8.9	13.9
Professional fees and other	26.8	24.9
Total	**52.6**	**56.1**

General and administrative expense for the year ended December 31, 2019 decreased by 3.6 mEUR, or 6.4%, compared to the year ended December 31, 2018, primarily due to an decrease in share-based compensation of 5.0 mEUR, or 36.0%, mainly driven by award forfeitures partially offset by new grants during the year. For further explanation of share-based compensation see Note 8 “Share-based payment plan”.

Personnel-related costs decreased by €0.4 million, or 2.3%, primarily due to an audit assessment by the German Social Security authorities in the year ended December 31, 2018.

Professional fees and other expenses for the year ended December 31, 2019 increased by 1.8 mEUR, or 7.2%, compared to the year ended December 31, 2018, primarily due to a provision recognized in the fourth quarter of 2019 resulting from the recent judgement in Australia, as well as higher charitable contributions and insurance expenses in the year ended December 31, 2019, compared to the same period in 2018. These increases were partly offset by a reduction in consulting, audit and professional legal fees compared to the same period in 2018, as well as the the impairment of an internal-us software in the second quarter of 2018.

4.6 Personnel expenses

Personnel expenses are divided among the various cost types as follows:

Personnel expenses by cost type

in mEUR	**2019**	**2018**
Wages and salaries	79.6	92.0
Social security costs	11.6	16.0
Pension expenses	0.2	0.2
Termination benefits	0.7	1.1
Total	**92.1**	**109.2**

With regard to company pension plans, trivago Group only has defined contribution plans. trivago Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. There are no other benefit obligations for trivago Group after payment of the contributions. The current contribution payments are disclosed as an expenses in the respective year. The increase in comparison to the prior year is mainly due to increase of wages and salaries including share-based compensation expenses. For further explanation of share-based compensation see Note 8 “Share-based payment plan”.

The number of employees decreased from 1,354 in the prior year to 1,247 at the end of the reporting period. The average number of employees in the fiscal year 2019 amount to 1,301 (prior year: 1,482), of which 1,191 (prior year: 1,346) were employed in Germany and 39 (prior year: 39) were employed in the Netherlands.

Personnel expenses are divided among the various divisions as follows:

Personnel expenses

in mEUR	**2019**	**2018**
Cost of sales	2.1	1.8
Selling and distribution expenses	21.2	33.7
Technology and content	43.0	42.4
General and administrative expenses	25.8	31.2
Total	**92.1**	**109.2**

4.7 Depreciation and amortization

Depreciation and amortization

in mEUR	2019	2018
Cost of Sales	1.0	1.0
Selling and distribution	2.9	1.8
Technology and content	9.8	5.0
General and administrative	3.1	2.0
Total	**16.8**	**9.8**

The increase in depreciation and amortization expense in 2019 was primarily caused by the implementation of IFRS 16.

4.8 Finance expense

Finance expenses

in mEUR	2019	2018
Interest on debts and borrowings	0.0	0.0
Interest on lease liabilities (Note 5.10)	3.9	0.1
Total	**3.9**	**0.1**

4.9 Income taxes

trivago is subject to unlimited tax liability for German corporate income tax (Körperschaftsteuer) and trade tax (Gewerbesteuer) purposes due to its effective place of management in Germany and notwithstanding the fact that it is incorporated in the Netherlands.
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). Trade tax is levied on a company´s taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate in fiscal year 2019 amounts to approximately 15.405% (prior year: 15.405%).

Income taxes

in mEUR	2019	2018
Current income tax	19.1	2.4
Deferred taxes	1.9	-0.6
Total	**21.0**	**1.8**

Income taxes do not include effects not relating to the reporting period in 2019 and 2018.

Deferred tax income relates to the origination and reversal of temporary differences in the amount of 1.9 mEUR (prior year: (0.6) mEUR).

Deferred taxes result from the following items:

Deferred assets and liabilities

	as of December 31,	
in mEUR	**2019**	**2018**
Intangible assets	0.3	0.4
Other receivables and assets	3.7	5.0
Trade payables and other liabilities	0.1	1.4
Tax losses carry-forward	0.3	0.9
Lease liabilities	31.4	—
Other	0.5	1.2
Deferred tax assets	**36.3**	**8.9**
Intangible assets	3	2.8
Trade payables and other liabilities	—	0.4
Right-of-use assets	29.8	—
Other	0.2	0.4
Deferred tax liabilities	**33.0**	**3.6**
Amount recognized in profit and loss	**1.9**	**0.6**
Amount recognized in equity	**—**	**—**

As of the balance sheet date, deferred tax assets and liabilities of 33.0 mEUR (2018:3.6 mEUR) were offset, having met the requirements for offsetting.

At December 31, 2019, trivago Group had net operating loss carryforwards ("NOLs") for a tax-effected amount of approximately 0.4 mEUR. The tax-effected NOL carryforwards decreased by 0.5 mEUR from the amount recorded at December 31, 2018 primarily due to utilization of NOLs 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 enabled trivago N.V. to offset its NOLs with any future taxable profits. As a result, the 3.2 mEUR previously unrecognized losses of trivago N.V. have been recognized in 2017. All of this 3.2 mEUR were utilized in 2017, 2018, and 2019. As of December 31, 2019, 0.3 mEUR tax-effected NOLs are recognized for tax losses of Base7 Germany GmbH, which also may be carried forward indefinitely.

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 0.1 mEUR at December 31, 2019. In terms of undistributed earnings of domestic investments, we have recognized deferred income taxes on taxable temporary difference of €0.02 million, as only 5% refer to a taxable temporary difference under German tax law. Any capital gains on the sale of participations would be 95% exempt under German tax law.

The aggregate tax rate is reconciled to the effective tax rate as follows:

Tax reconciliation

in mEUR	2019	2018
Result before income tax	**40.9**	**-20.4**
Group tax rate	31.23 %	31.23 %
Income taxes based on group statutory tax rate	**12.8**	**-6.4**
Foreign rate differential	0.1	0.0
Non-deductible share-based compensation	5.4	7.3
Changes in uncertain tax positions	2.9	0.0
Losses for which no deferred tax is recognized	0.0	-0.2
Other differences	-0.1	1.1
Effective tax expenses as per income statement	**21.0**	**1.8**

The group statutory tax rate corresponds to the tax rate of the parent company, trivago N.V., who is a German tax resident.

The uncertain tax positions relate to the tax deductibility of general and administrative expenses incurred by trivago N.V. in the 2018 and 2019 fiscal years and were as follows as of December 31, 2018 and 2019:

in kEUR	2018	2019
Balance, beginning of year	—	—
Increases to tax positions related to the current year	—	2,133
Increases to tax positions related to prior years	—	720
Balance, end of year	—	2,857

4.10 Earnings per Share

Basic and diluted earnings per share of Class A and Class B common stock is computed by dividing profit/(loss) 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.

The following table presents our basic and diluted earnings per share:

Earnings per share

	2019	2018
Earnings per share attributable to trivago N.V. available to Class A and Class B common stockholders:		
Basic	0.06	(0.06)
Diluted	0.06	(0.06)
Weighted average number of outstanding shares in units		
Weighted average shares of Class A and Class B common stock outstanding - basic	351,991	350,852
Weighted average shares of Class A and Class B common stock outstanding - diluted	357,280	350,852

Diluted weighted average common shares outstanding for the year ended December 31, 2018 does not include the effects of the exercise of outstanding stock options as the inclusion of these instruments would have been anti-dilutive.

5. Notes to the statement of financial position

5.1 Intangible assets

in mEUR	Goodwill	Capitalized Software	Other Intangibles	Total
Historical cost				
As of 01/01/2018	**3.4**	**13.3**	**0.5**	**17.2**
Additions	—	6.9	—	6.9
Disposals	—	—	—	—
Transfer	—	—	—	—
Exchange rate differences	—	—	—	—
As of 12/31/2018	**3.4**	**20.3**	**0.5**	**24.2**
As of 01/01/2019	**3.4**	**20.3**	**0.5**	**24.2**
Additions	—	4.4	—	4.4
Disposals	—	(0.4)	—	(0.4)
Transfer	—	—	—	—
Exchange rate differences	0.1	—	—	0.1
As of 12/31/2019	**3.5**	**24.3**	**0.5**	**28.3**
Accumulated depreciation				
As of 01/01/2018	**—**	**(6.6)**	**(0.1)**	**(6.7)**
Additions	—	(3.7)	(0.1)	(3.8)
Impairments	—	(1.5)	—	(1.5)
Disposals	—	—	—	—
Transfer	—	—	—	—
Exchange rate differences	—	—	—	—
As of 12/31/2018	**—**	**(11.8)**	**(0.2)**	**(12.0)**
As of 01/01/2019	**—**	**(11.8)**	**(0.2)**	**(12.0)**
Additions	—	(4.4)	(0.2)	(4.6)
Impairments	—	(0.1)	—	(0.1)
Disposals	—	—	—	—
Transfer	—	—	—	—
Exchange rate differences	—	—	—	—
As of 12/31/2019	**—**	**(16.3)**	**(0.4)**	**(16.7)**
Net carrying amount as of 1/1/2018	3.4	6.7	0.4	10.5
Net carrying amount as of 12/31/2018	3.4	8.5	0.3	12.2
Net carrying amount as of 12/31/2019	3.5	8.0	0.1	11.6

A goodwill amounting to 3.5 mEUR is recognized as of December 31, 2019 (3.4 mEUR as of December 31, 2018).

Certain direct development costs associated with website and internal-use software are capitalised during the application development stage. Capitalised 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 generally amortised over a period of three years beginning when the asset is ready for use. Costs incurred that are expected to result in additional features or functionality are capitalised and amortised 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.

Goodwill and intangible assets with indefinite lives

Goodwill is subjected to an impairment test at least once per year. With reference to its internal budgeting process, trivago Group has chosen the last quarter of its financial year to conduct its statutory annual impairment test.

Goodwill and intangible assets with indefinite lives for example trademarks are allocated for impairment test purposes to cash-generating units.

The Group performed its annual impairment test of goodwill and purchased intangible assets with indefinite lives during the fourth quarter of 2019 and determined there was no impairment at that time. In general the valuation of goodwill and purchased intangible assets with indefinite lives requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, investments in capital equipment and working capital, and discount rates.

The recoverable amount is determined based on the higher of the value in use or fair value less costs of disposal calculations. The fair value less costs of disposal calculation resulted in a higher recoverable amount.

As of December 31, 2019 the group's consolidated net asset value was approximately 290.1 mEUR, and the recoverable amount of each of the three reporting units was in excess of this amount. In addition, the market capitalisation of the group's publicity traded shares exceeded 920 mUSD in December, we concluded that there is no risk of impairment on allocated goodwill or our indefinite-lived intangible assets' carrying value.

Within the scope of the impairment test, sensitivity analysis were considered in relation to the main value drivers. For this purpose, alternative calculations with consideration of an increase/decrease of the assumed free cash flow and in consideration of an reasonably possible increase/decrease in the discount factor (WACC) would not lead to a different result.

5.2 Property, plant and equipment

Development of property, plant and equipment

in mEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Construction in progress	Total
Historical cost						
As of 01/01/2018	13.4	3.6	1.0	4.0	4.8	**26.8**
Additions	2.1	1.3	0.9	2.1	11.4	**17.9**
Disposals	(0.9)	(1.1)	—	(1.7)	—	**(3.6)**
Transfer	0.9	2.2	0.8	12.2	(16.1)	—
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2018	**15.6**	**6.1**	**2.7**	**16.7**	**0.1**	**41.1**
As of 01/01/2019	**15.6**	**6.1**	**2.7**	**16.7**	**0.1**	**41.1**
Adoption of IFRS 16	—	—	(0.6)	1.4	—	**0.8**
Additions	2.9	—	—	0.5	—	**3.4**
Disposals	(0.6)	(0.2)	—	(0.1)	—	**(0.9)**
Transfer	0.3	0.1	0.2	(1.2)	—	**(0.6)**
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2019	**18.2**	**6.0**	**2.3**	**17.3**	**0.1**	**43.9**
Accumulated depreciation						
As of 01/01/2018	**(6.8)**	**(2.0)**	**(0.7)**	**(1.8)**	—	**(11.3)**
Additions	(3.7)	(1.2)	(0.3)	(0.9)	—	**(6.1)**
Impairments	—	—	—	—	—	—
Disposals	0.5	0.5	—	1.4	—	**2.3**
Transfer	—	—	—	—	—	—
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2018	**(10.1)**	**(2.8)**	**(1.0)**	**(1.3)**	—	**(15.1)**
As of 01/01/2019	**(10.1)**	**(2.8)**	**(1.0)**	**(1.3)**	—	**(15.1)**
Adoption of IFRS 16	—	—	0.1	—	—	**0.1**
Additions	(3.2)	(0.9)	(0.3)	(0.9)	—	**(5.3)**
Impairments	—	—	—	—	—	—
Disposals	0.5	0.1	—	—	—	**0.6**
Transfer	(0.1)	—	0.2	0.6	—	**0.7**
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2019	**(12.9)**	**(3.6)**	**(1.0)**	**(1.6)**	—	**(19.1)**
Net carrying amount as of 12/31/2018	5.5	3.3	1.7	15.4	0.1	**26.0**
Net carrying amount as of 12/31/2019	5.3	2.4	1.3	15.7	0.1	**24.8**

We record property and equipment at cost, net of accumulated depreciation. 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 and furniture and other equipment. We depreciate leasehold improvement using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

5.3 Trade receivables

Trade receivables

in mEUR	As of December 31, 2019	2018
Trade receivables (gross)	**36.4**	**53.8**
Expected credit losses	(0.2)	(0.5)
Trade receivables (net)	**36.2**	**53.3**

As of December 31, 2019 impairment allowances for trade receivables amounts to 0.2 mEUR (prior year: 0.5 mEUR). The development of allowance for expected credit losses in 2019 and impairment allowances for trade receivables in prior year can be seen below:

Impairment of trade receivables and allowances for expected credit losses

in mEUR	2019	2018
As of January 1	**0.5**	**0.2**
Additions	0.6	0.9
Utilisation	(0.9)	(0.6)
As of December 31	**0.2**	**0.5**

Set out below is the information about the credit risk exposure on the trivago Group's trade receivables using a provision matrix:

	Days past due				
in kEUR	Current or less than 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days	Total
Trade receivables as of 12/31/2019	35,086	1,052	220	—	**36,358**
Expected credit loss rate	0,25%	6.34%	24.25%	—	
Estimated total gross carrying amount at default	87	67	53	—	**207**
Trade receivables as of 12/31/2018	52,290	977	532	—	**53,799**
Expected credit loss rate	0,37%	13,41%	37,97%	0	
Estimated total gross carrying amount at default	196	131	202	—	**529**

As of the reporting date, all receivables are due within one year.

5.4 Trade receivables, related parties

Trade receivables. related parties

in mEUR	As of December 31, 2019	2018
Trade receivables (gross)	**31.1**	**39.7**
Expected credit losses	0.0	0.0
Trade receivables (net)	**31.1**	**39.7**

Management believes that the credit quality of trade receivables from related party that are not past due or impaired are not of a high risk.The credit risk for trade receivables from related party is considered to be very low. Consequently, as they those receivables are all not past due receivables at period end, there is no material expected credit loss expected on these receivables.

5.5 Other assets

Other financial assets

	As of December 31,					
	2019			2018		
in mEUR	Current	Non-current	Total financial assets	Current	Non-current	Total financial assets
Restricted cash	0.1	2.3	2.4	0.1	2.3	2.4
Creditors with debit balance	0.2	—	0.2	0.7	—	0.7
Receivables against employees	1.0	—	1.0	0.4	—	0.4
Deposits	—	0.7	0.7	—	0.7	0.7
Other	—	1.0	1.0	—	1.0	1.0
Total	**1.3**	**4.0**	**5.3**	**1.2**	**4.0**	**5.2**

Other non-financial assets

	As of December 31,					
	2019			2018		
in mEUR	Current	Non-current	Total assets	Current	Non-current	Total assets
Prepaid expenses	2.5	—	2.5	1.8	0,0	1.8
Advance payments	2.2	1.7	3.9	6.2	1.7	7.9
Income tax receivable	8.6	—	8.6	0.3	—	0.3
VAT	0.5	—	0.5	1.1	—	1.1
Other	—	0.9	0.9	—	0.4	0.4
Total	**13.8**	**2.6**	**16.4**	**9.3**	**2.1**	**11.5**

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, 2019 and as of December 31, 2018 no other financial assets and other assets are overdue. No impairment allowances for other financial assets and other assets were recognized.

5.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand amounting to 218.1 mEUR as of December 31, 2019 and to 161.9 mEUR December 31, 2018. The development and application of cash and cash equivalents is stated in the consolidated statement of cash flows.

5.7 Equity

Class A and Class B common stock

As of December 31, 2019, we had ADSs representing 50,816,706 Class A shares outstanding (700,000,000 authorized) and 301,687,967 Class B shares outstanding (320,000,000 authorized). Each Class B share is convertible into one Class A share at any time by the holder. During 2019 and 2018, 7,000,000 and 11,112,001 Class B shares were converted into Class A shares, respectively.

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 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.

Other capital reserves

Other capital reserves primarily represents share premium as result of the corporate reorganization and IPO. Further effects to the other capital reserves are due to the merger of trivago GmbH with and into trivago N.V. in 2017, current period share-based compensation expense, exercises of employee stock options and the effect of the Founders' conversion of Class B shares to Class A shares in 2018 and 2019.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income represents foreign currency translation adjustments for our subsidiaries in foreign locations. As of December 31, 2019, 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 relates to Expedia corporate expenses allocated to trivago.

5.8 Loans due to banks

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, that may be terminated at any time by the lender. As of December 31, 2018 and December 31, 2019 we had no borrowings outstanding on the consolidated balance sheet.

5.9 Trade payables and other liabilities

Trade payables recognized at the reporting date are non-interest bearing and are settled within one month. The fair value therefore corresponds to the carrying amount. As of the end of the year, trade payables and other liabilities consist of the following:

Trade payables and other liabilities

	As of December 31,					
	2019			2018		
in mEUR	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade payables	33.3	—	33.3	32.7	—	32.7
Other financial liabilities	6.0	0.7	6.7	12.5	2.8	15.3
Other non-financial liabilities	18.2	0.3	18.5	12.1	1.0	13.1
Total	**57.5**	**1.0**	**58.5**	**57.3**	**3.8**	**61.1**

Other financial liabilities as of December 31, 2019 mainly include outstanding invoices amounting to 3.2 mEUR. In the prior year the balance mainly includes accruals for social expenses amounting to 6.4 mEUR and outstanding invoices amounting to 2.2 mEUR.

Other non-financial liabilities mainly include legal provisions (refer to Note 9 "Commitments and Contingencies" for further information) and 5.6 mEUR current contract liabilities (2018: deferred revenues of 8.2 mEUR) from subscription-based services earned through trivago Hotel Manager Pro applications. Revenue from subscription services is recognized ratably over the contract term, which is generally 12 months or less from the subscription commencement date.

Trade payables include 10.1 mEUR TV marketing accruals (2018: 8.2 mEUR).

5.10 Leases

trivago as lessee

We have lease for office space, apartments and office equipment. Our leases have remaining terms of one year to 18 years, some of which already include options to extend the leases for up to ten years, and some of which include options to terminate the leases within one year.

The company also subleases office space under agreements which expire on various dates through 2026. Sublease income from such agreements was 0.1 mEUR and 1.0 mEUR for the years ended December 31, 2018 and 2019, respectively.

Right-of-use assets

The changes in the net book value for the Company's right-of-use assets, during the year ended December 31, 2019 were as follows:

in mEUR	Office Space	Apartments	Office Equipment	Total
Cost				
As at January 1, 2019	**0.6**	—	**0.6**	**1.2**
Opening balance adjustment IFRS 16	**100.2**	**0.1**	**0.2**	**100.5**
Additions	**0.1**	**0.1**	**0.5**	**0.7**
As at December 31, 2019	**100.9**	**0.2**	**1.3**	**102.4**
Accumulated depreciation				
As at January 1, 2019	—	—	**0.1**	**0.1**
Opening balance adjustment IFRS 16	—	—	—	—
Additions	**6.2**	—	**0.4**	**6.7**
As at December 31, 2019	**6.2**	—	**0.5**	**6.8**
Net book value				
As at January 1, 2019	**0.5**	—	**0.5**	**1.0**
As at December 31, 2019	**94.7**	**0.2**	**0.8**	**95.6**

Amounts recognized in profit or loss

The following are the amounts recognized in profit or loss:

in mEUR	Year ended December 31, 2019
Depreciation expense	6.7
Lease expense on short-term leases	1.4
Interest expense on finance leases	3.9
Amounts expensed in profit or loss	**12.0**

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

in mEUR	Year ended December 31, 2019
As at January 1, 2019	**0.5**
Opening balance adjustment IFRS 16	104.5
Additions	0.7
Accretion of interest	3.9
Payments	(9.1)
As at December 31, 2019	**100.5**
Of which:	
Current	5.3
Non-current	95.2

Lease Payments

The required lease payments of the lease liability at December 31, 2019, are as follows:

in mEUR	Year ended December 31, 2019
Less than 1 year	9.0
1-5 years	41.1
More than 5 years	88.0

The total cash outflow for leases in 2019 was 10.6 mEUR, which includes redemptions of principal and interest payments.

6. Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.25 are summarized below. No financial instruments were reclassified between categories.

	2019				
		Amount recognised in balance sheet according to IFRS 9			
in mEUR	Carrying amount	Amortized cost	Fair value through OCI	Fair value recognized in profit and loss	Fair value
Financial Assets					
Trade receivables	36.2	36.2	—	—	36.2
Trade receivables, related parties	31.1	31.1	—	—	31.1
Other financial assets	5.3	5.3	—	—	5.3
Short-term investments	10.0	10.0	—	—	10.0
Cash and cash equivalents	218.1	218.1	—	—	218.1
Financial Liabilities					
Trade payables	33.3	33.3	—	—	33.3
Other financial liabilities	6.8	6.8	—	—	6.8

	2018				
		Amount recognised in balance sheet according to IFRS 9			
in mEUR	Carrying amount	Amortized cost	Fair value through OCI	Fair value recognized in profit and loss	Fair value
Financial Assets					
Trade receivables	53.3	53.3	—	—	53.3
Trade receivables, related parties	39.7	39.7	—	—	39.7
Other financial assets	5.2	5.2	—	—	5.2
Cash and cash equivalents	161.9	161.9	—	—	161.9
Financial Liabilities					
Trade payables	32.7	32.7	—	—	32.7
Other financial liabilities	14.4	14.4	—	—	14.4

Financial assets include non-current assets amounting to 4.0 mEUR as of December 31, 2019 (prior year: 4.0 mEUR).

Cash and cash equivalents, other financial assets as well as trade receivables mainly have short remaining maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.
Trade payables and other financial liabilities mostly have short terms. Their carrying values on the reporting date are thus similar to fair value. The same applies to current liabilities due to banks.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Fair value measurement hierarchy for assets as at December 31:

	As of December 31, 2019		
in mEUR	**Level 1**	**Level 2**	**Level 3**
Other financial assets	—	—	—
Other financial liabilities	—	—	—
Total	—	—	—

	As of December 31, 2018		
in mEUR	**Level 1**	**Level 2**	**Level 3**
Other financial assets	—	—	—
Other financial liabilities	—	—	—
Total	—	—	—

Net gains and losses by category of financial instruments in accordance with IFRS 7.20 are as follows:

	As of December 31,						
	2019						
			From subsequent measurement				
in mEUR	From interest	From remuneration	At fair value recognized in OCI	At fair value recognized in profit and loss	Currency translation	Impairment	Net result
Financial Assets	—	—	—	—	(0.5)	(0.6)	**(1.1)**
Financial Liabilities	3.9	—	—	—	—	—	**3.9**
Total	**3.9**	**—**	**—**	**—**	**(0.5)**	**(0.6)**	**2.8**

	As of December 31,						
	2018						
			From subsequent measurement				
in mEUR	From interest	From remuneration	At fair value recognized in OCI	At fair value recognized in profit and loss	Currency translation	Impairment	Net result
Financial Assets	—	—	—	—	(0.6)	(0.9)	**(1.5)**
Financial Liabilities	0.1	—	—	—	—	—	**0.1**
Total	**0.1**	**—**	**—**	**—**	**(0.6)**	**(0.9)**	**(1.4)**

The components of the net result are recognized as finance income or finance expenses, except for impairments on trade receivables, which are reported under other operating expenses and currency gains and losses in connection with trade receivables respectively trade payables, which are reported under other operating income respectively under other operating expenses.
The interest result from financial liabilities of the category "Financial liabilities measured at amortized cost" primarily consists of interest expenses.

7. Financial risk management

As an internationally operating Group, trivago Group is exposed to a variety of risks. Management is aware of both the risks and the opportunities and deploys suitable measures to manage them so as to be able to react quickly to changes in the competitive environment and the general market environment.

As a group that does business internationally, trivago Group is exposed to both entrepreneurial and industry-specific risks. Consciously controlling opportunities and risks is an integral part of management and decision-making within the Group.
To be adequately prepared for changes in competitive and environmental conditions and to control value creation efficiently in trivago Group, the Management has implemented a risk management system.

Risk management processes, limits to be observed, and the use of financial instruments to manage risks are defined in the risk management manual and in supplementary guidelines for trivago Group. The aim of the risk management system is to identify and assess risks that arise. Identified risks are communicated, managed, and monitored in a timely manner.
The Group is mainly exposed to liquidity risks, credit risks, interest rate risks, and foreign currency risks.

Liquidity risks

The Group's liquidity risk consists of being unable to meet existing or future payment obligations due to insufficient availability of funds. Limiting and managing the liquidity risk are among the primary tasks for trivago Group's management. Trivago Group monitors the current liquidity situation on a daily basis. In order to manage future liquidity requirements, monthly liquidity plan is used. In addition, management continually evaluates key financial figures.

trivago Group's financial liabilities mature within one year. Related cash flows are repayments within one year.

All instruments held as of the reporting date and for which payments were already contractually agreed were included. Planning data for future new liabilities is not included. Amounts in foreign currencies were translated at the year-end spot rate. Variable interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Credit risk

trivago Group´s 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.

trivago Group`s customer base includes primarily OTAs, hotel chains and independent hotels. trivago Group performs ongoing credit evaluations of the customers and maintain allowances for potential credit losses. trivago Group generally do not require collateral or other security from our customers.

trivago works with several banks to mitigate credit risk exposure.

Interest rate risk

Because the interest rate on the credit facility is tied to a market rate, trivago Group will be susceptible to fluctuations in interest rates if, consistent with our practice to date, trivago Group do not hedge the interest rate exposure arising from any advances under the credit facility. As of December 31, 2019, no amounts are outstanding under our credit facility.

Expedia, Inc. currently guarantees our credit facility. If Expedia does not continue to guarantee our credit in the future, our borrowing costs could increase.

Foreign currency risk

trivago Group conduct business in many countries throughout the world. Because trivago Group operates in markets globally, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign exchange rates. trivago Group`s primary exposure to foreign currency risk relates to transacting in foreign currency and recording the activity in euros. Changes in exchange rates between the functional currency of consolidated entities and these other currencies will result in transaction gains or losses, which are recognized in profit or loss. The foreign exchange risk relates primarily to the exchange rate between the U.S. dollar and the euro. A meaningful portion of sales is generated in U.S. dollars, while expenses, other than advertising expenses denominated in U.S. dollars, are primarily incurred in euros.

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact our business fluctuate in relation to the functional currency of the consolidated entities, the relative composition and denomination of current assets and liabilities for each period, and the effectiveness at forecasting and managing, through balance sheet netting, such exposures. As an example, if the foreign currencies in which trivago Group hold net asset balances were all to weaken by 10% against the euro and other currencies in which trivago Group hold net liability balances were all to strengthen by 10% against the euro, trivago Group would recognize foreign exchange losses of 0.4 mEUR based on the net asset or liability balances of foreign denominated cash, accounts receivable, and accounts payable balances as of December 31, 2019. 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, 2019, we reduced our net foreign exchange rate losses to 0.4 mEUR compared to 0.6 mEUR in the year ended December 31, 2018.

8. Share-based Payment Plans

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, management board members, supervisory board members, 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 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. The 2016 Plan was amended on August 3, 2017 to permit supervisory board members to be eligible for awards under the 2016 Plan. The Plan was amended on June 28, 2019 to permit the granting to management and supervisory board members an option to purchase Class A shares at less than fair market value of the underlying Class A shares. The 2016 Plan was also amended on July 18, 2019 to permit additional mechanics to settle transactions.

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 by 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 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, 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 under the 2016 Plan 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 has 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.

We issue new shares to satisfy the exercise or release of share-based awards. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is seven years and there are no cash settlement alternatives. trivago does not have a past practice of cash settlement for these awards.

The expense recognized for employee services received during the year is shown in the following table:

Expense arising from share-based payment transactions

in mEUR	**2019**	**2018**
Expense arising from equity-settled share-based payment transactions	17.4	23.3
Expense arising from cash-settled share-based payment transactions	—	—
Total expense arising from share-based payment transactions	**17.4**	**23.3**
Additional modification charges	—	—

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Movements during the year of share-based compensation

	No.	WAEP	Remaining contractual life (years)	Aggregate intrinsic value
Balance as of January 1, 2018	**17,108,574**			
Granted	4,944,430	3.99		12,573
Exercised	531,410	0.30		2,855
Cancelled	828,196	6.23		1,182
Balance as of December 31, 2018	**20,693,398**	**5.54**	**17**	**32,050**
Exercisable as of December 31, 2018	7,057,182	4.08	35	21,894
Vested and expected to vest after December 31, 2018	20,693,398	5.54	17	32,050
Granted	3,932,498	4.38		17,412
Exercised	1,218,560	5.45		5,034
Cancelled	2,233,623	3.98		1,572
Balance as of December 31, 2019	**21,173,713**	**3.66**	**15**	**19,556**
Exercisable as of December 31, 2019	10,456,082	3.66	24	9,774
Vested and expected to vest after December 31, 2019	21,208,693	3.64	15	19,556

As of December, 31, 2018 and 2019, no option awards are subject to liability accounting. The total intrinsic value of share options exercised was €2.9 million and €5.0 million for the year ended December 31, 2018 and December 31, 2019, respectively.

During the years ended December 31, 2018 and 2019, 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 in years
Balance as of January 1, 2018	—	—	—
Granted	57,806	3.88	7
Vested	—	—	—
Cancelled	—	—	—
Balance as of December 31, 2018	**57,806**	**3.88**	**7**
Granted	474,121	4.25	7
Vested	38,262	3.88	—
Cancelled	8,000	5.29	—
Balance as of December 31, 2019	**485,665**	**4.22**	**6**

During the years ended December 31, 2018 and 2019, we awarded share options as part of our share-based compensation. Cash received from share-based award exercises for the years ended December 31, 2018 and 2019 was 161 kEUR and 202 kEUR, respectively.

The weighted average remaining contractual life for the share options outstanding as at December 31, 2019 is 15 years. The weighted average fair value of options granted during the year was 4.38 EUR (2018: 3.99 EUR). The range of exercise prices for options outstanding at the end of the year was 15.16 EUR to 0.06 EUR (2018: 15.16 EUR to 0.06 EUR).

The following tables list the inputs to the models used for the valuation of share-based compensation awards for the years ended December 31, 2019 and December 31, 2018:

Inputs to the models used for share-based compensation

	2019	**2018**
Weighted average fair values at the measurement date (€)	4	3
Dividend yield (%)	0	0
Expected volatility (%)	50	33
Risk–free interest rate (%)	-0.56	1.74
Expected life of share options/SARs (years)	4.5	4.42
Weighted average share price	4.69	5.66
Model used	Black-Scholes	Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

9. Commitments and Contingencies

trivago Group has purchase obligations, which could potentially require our payment in the event of demands by third parties or contingent events. Purchase obligations as of December 31, 2018 were as follows:

Purchase obligations

	Nominal value of the future minimum purchase obligations	
in mEUR	**12/31/2019**	**12/31/2018**
Remaining term of up to 1 year	11.9	19.8
Remaining term of more than 1 year and up to 5 years	0.0	0.0
Remaining term of more than 5 years	0.0	0.0
Total	**11.9**	**19.8**

The purchase obligations represent minimum obligations under agreements with certain of 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.

The Company assessed its contingencies and concluded there were no other contingencies that management expects to have a material adverse effect on the group's financial position as at December 31, 2019. A further description is included in the board report (section 2.4.18).

Legal proceedings

On August 23, 2018, the Australian Competition and Consumer Commission, or ACCC, instituted proceedings in the Australian Federal Court against us. The ACCC alleged a number of breaches of the Australian Consumer Law, or ACL, relating to certain advertisements in Australia concerning the hotel prices available on our Australian site, our Australian strike-through pricing practice and other aspects of the way offers for accommodation were displayed on our Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding that we had engaged in conduct in breach of the ACL. On March 4, 2020, we filed a notice of appeal at the Australian Federal Court appealing part of that judgment. The appeal is scheduled to be heard on July 20-21, 2020. The court has yet to set a date for a separate trial regarding penalties and other orders. Management recorded an estimate of the probable loss as of December 31, 2019 in connection with these proceedings within current other liabilities. Any penalty amount could substantially exceed the level of provision that we established for this litigation.

10. Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7 and classifies cash flow into operating, investing, and financing activities. Cash flow from operating activities was determined using the indirect method, whereas cash flow from investing activities was calculated on the basis of the direct method. Investing activities relate to the acquisition and disposal of non-current assets that are not included in cash equivalents. Cash flow from financing activities is also determined using the direct method. Financing activities that affect the extent and composition of equity items and the trivago Group borrowings.

11. Related Party Disclosures

The subsidiaries of trivago Group are listed in Note 1.3 “Summary of significant accounting policies”.

Related party transaction - management

Management comprises the following members who are considered all related parties within the meaning of IAS 24:

Axel Hefer
Johannes Thomas
Matthias Tillmann*

*Mr. Tillmann's appointment as Chief Financial Officer became effective on December 31, 2019. He will not be a member of our management board until he is nominated to such position by the supervisory board and is appointed at our annual general meeting of shareholders.

We consider our management board as “key management”.

We provided our management board with the following cash compensation in the fiscal year 2019:

(in kEUR)	**Hefer**	**Schrömgens[(1)]**	**Thomas**
Amounts of periodically-paid remuneration	240	40	240
Bonuses	204	—	204
Profit Participation	—	—	—
Total cash compensation	444	40	444

(1) on December 31, 2019 Rolf Schrömgens resigned as member of our management board. At Mr. Schrömgens suggestion, the Supervisory Board decided to set Mr. Schrömgens’ salary to 1 Euro as of March 2019 to conserve company resources.

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 2019, the compensation committee approved, subject to supervisory board approval, an all-cash performance bonus to Messrs. Hefer and Thomas, which amounts are included in the bonus line in the table above. As of December 31, 2019, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our management board members. In 2019, Mr. Thomas exercised options at a strike price of €0.06 to receive 50,000 ADSs (American Depositary Shares). Mr. Hefer exercised options at a strike price of €0.12 to receive 18,000 ADSs that were subsequently sold pursuant to a trading plan established pursuant to Rule 10b5-1 of the Exchange Act.

We provided our management board with the following cash compensation in the fiscal year 2018:

(in kEUR)	**Hefer**	**Lehnert[(1)]**	**Schrömgens**	**Siewert[(1)]**	**Thomas**	**Vinnemeier[(1)]**
Amounts of periodically-paid remuneration	240	105	240	105	240	105
Bonuses	162	—	—	—	135	—
Profit Participation	—	—	—	—	—	—
Total cash compensation	402	105	240	105	375	105

(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, 2019:

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration date[2]
Hefer	Sept. 23, 2016	May 1, 2017, 2018, 2019	45,830	€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
	Jun. 28, 2019(3)	Three Year Vest(3)	810,927	€0.06	Jun. 28, 2026
Schrömgens	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
Thomas	Mar. 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	36,948	€0.06	None
	Jul. 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
	Jun. 28 2019(3)	Three Year Vest(3)	337,886	€0.06	Jun. 28, 2026

(1) Share options granted before our IPO are calculated by converting options relating to units of trivago GmbH (the historical operating company of the trivago Group) 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 the 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.

(3) This award vests as follows: 1/3rd vested on January 2, 2020, and an additional 1/12th will vest quarterly thereafter until the award is fully vested, subject to continued service on such vesting dates.

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

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration date[2]
Hefer	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	July 2, 2020, Jan 2. 2023	1,500,000	$7.17	Dec. 20, 2024
Schrömgens	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
Thomas	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) Share options granted before our IPO are calculated by converting options relating to units of trivago GmbH (the historical operating company of the trivago Group) 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.

In connection with the share options granted to our management board above, we incurred the following expenses under IFRS in the fiscal years indicated:

in kEUR	2018	2019
Hefer	4,349	3,504
Thomas	1,698	1,168
Schrömgens	986	455
Lehnert (1)	811	-
Vinnemeier (1)	430	-
Siewert (1)	421	-

(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, hence we did not incur any expenses pertaining to them, in connection with share options granted in the fiscal year 2019.

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 doing so, we benchmark our management's compensation, both in terms of their base cash compensation, cash bonus and equity incentive award, against that of the management of similarly situated companies in the United States and Europe including companies with a similar financial profile and those in the same sector (technology). 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 qualitative goals. The supervisory board assesses the achievement of these goals on an individual basis. For the purpose of determining the bonus amounts, we measured the performance of senior management with reference to alignment with the Company's goals, the business impact of senior management on those goals, the team building capabilities of senior management and a peer evaluation of senior management performance. Taking these factors into consideration, bonus payments and any equity award compensation are determined at the discretion of our supervisory board and, with respect to senior management reporting to the CEO, considering recommendations made by the CEO.

Related party transaction - supervisory board

The amount of compensation, including benefits in kind, accrued or paid to our supervisory board members with respect to the year ended December 31, 2019 is described in the tables below. Our supervisory board received the following cash compensation with respect to service in the fiscal year 2019:

($ in thousands)	Kern	Mazzella	Mankodi	Östberg	Schneider[1]
Periodically-paid remuneration	45	45	45	45	36.5
Bonuses	—	—	—	—	—
Profit Participation	—	—	—	—	—
Total cash compensation	45	45	45	45	36.5

(1) In October 2019, David Schneider resigned as member of our supervisory board and as a member of our audit committee.

Mr. Dzielak, Ms. Gorin and Mr. Okerstrom were not provided with any compensation for their service on our supervisory board for the year ended December 31, 2019.

Our supervisory board held the following options (both vested and unvested) as of December 31, 2019:

Beneficiary	Grant date	Vesting date	Number of options outstanding	Strike price	Expiration Date
Dzielak	—	—	—	—	—
Gorin	—	—	—	—	—
Kern	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
	Feb. 8, 2019	3 Year Vest(4)	33,389	N/A(1)	N/A(1)
Mankodi	Aug. 17, 2018	Jul. 2, 2019, 2020, 2021	90,408	$4.42	Aug. 17, 2025
	Feb. 8, 2019	3 Year Vest(4)	37,563	N/A(1)	N/A(1)
Mazzella	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
	Jun. 28, 2019	3 Year Vest(4)	54,062	€0.06	Jun. 28, 2026
	Nov. 5, 2019	3 Year Vest(5)	831	€0.06	Nov. 5, 2026
Okerstrom(2)	—	—	—	—	—
Östberg	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
	Jun. 28, 2019	3 Year Vest(4)	58,117	€0.06	Jun. 28, 2026
Schneider(3)	Mar. 6, 2017	Jan. 3, 2018, 2019	47,227	$12.14	Jan. 24, 2020
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	39,982	$7.17	Jan. 24, 2020

(1) Restricted stock units are granted at zero grant price and have no expiration date.

(2) In December 2019, Mark Okerstrom resigned as member of the supervisory board.

(3) In October 2019, David Schneider resigned as member of the supervisory board. His unvested options were forfeited and he has a three-month grace period following his resignation to exercise his vested options. The expiration date for the vested options was January 24, 2020.

(4) This award vests as follows: 1/3rd vested on January 2, 2020, and an additional 1/12th will vest quarterly thereafter until the award is fully vested, subject to continued service on such vesting date.

(5) This award vests as follows: 1/3rd vested on November 5, 2020, and an additional 1/12th will vest quarterly thereafter until the award is fully vested, subject to continued service on such vesting date.

As of December 31, 2019, we had nothing set aside or accrued to provide pension, retirement or similar benefits to our supervisory board members. In the year 2019, none of our supervisory board members exercised any options in trivago N.V. Mr. Schrömgens' temporary appointment to the supervisory board was effective on December 31, 2019. We included information regarding the options he held as of December 31, 2019 in the table covering the management board above.

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(1)	Östberg	Schneider
Periodically-paid remuneration	45	45	20	45	45
Bonuses	—	—	—	—	—
Profit Participation	—	—	—	—	—
Total cash compensation	45	45	20	45	45

(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
Dzielak	—	—	—	—	—
Kern	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
Mankodi	Aug. 17, 2018	Jul. 2, 2019, 2020, 2021	90,408	4.42	Aug. 17, 2025
Mazzella	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
Okerstrom	—	—	—	—	—
Östberg	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
Schneider	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.

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 2.4.13. 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.

Related party transaction - shareholder

Expedia Group Inc., the controlling shareholder, indirectly through it subsidiary ELPS, owns 59.3% of the shares. The Company and ELPS have entered into the Amended and Restated Shareholders' Agreement.

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.

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 5.6. Supervisory Board"* . 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

Pursuant to the Amended and Restated Shareholders' Agreement, certain transition arrangements have been agreed for succession of our Chief Executive Officer. Mr. Schrömgens ceased to serve as our Chief Executive Officer on December 31, 2019, on which date a "Transition Period" of three years commenced. During the first eighteen months of the Transition Period, and unless a Founder is serving as our Chief Executive Officer (which is presently not the case), ELPS has the right to select for binding nomination two management board members and our Chief Executive Officer has the right to select all other management board members for binding nomination, subject to approval by the supervisory board. Also, during the Transition Period, the Amended and Restated Shareholders' Agreement stipulates certain arrangements for the appointment of our (successor) Chief Executive Officer, including by expanding our supervisory board by two seats (one of which to be filled on the basis of a selection by the Founders and the other on the basis of a selection by ELPS) and the formation of a three-person nomination committee of the supervisory board which shall be entitled to nominate a successor Chief Executive Officer, subject to the approval of ELPS, and thereafter, 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.

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 (*informele kapitaalstorting*) 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.

Operating business

We currently have commercial relationships with many Expedia Group affiliated brands, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif, Vrbo 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, 2017, 2018 and 2019, Expedia Group and its brands in each of the years accounted for 36%, 36% and 34% of our total revenues, respectively.

Guarantees

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, 2018 and 2019, €0.0 million was drawn from our €50.0 million credit facility.

Service agreements

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.

myhotelshop

Subsequent to the deconsolidation of myhotelshop in December 2017, myhotelshop remains a related party to trivago. Related-party revenue from myhotelshop of €2.3 million and €2.8 million for the years ended December 31, 2018 and 2019, respectively, primarily consists of referral revenue.

12. Capital Management

The primary objective of the Group’s capital management activities is to ensure that the Company can discharge all of its financial obligations in the future and secure trivago Group as a going concern. trivago`s capital management activities cover the whole Group. Policies for steering and optimising the existing financing structure are based on earnings and cash flow developments.

Capital management

	As of December 31,	
in mEUR	**2019**	**2018**
Interest-bearing loans and borrowings	0.0	0.0
Less: Cash and cash equivalents	-218.1	-161.9
Net debt	**-218.1**	**-161.9**
Equity	290.1	252.6
Total capital	**290.1**	**252.6**
Capital and net debt	**71.9**	**90.7**

13. Auditors’ Fees

The following expenses incurred for services provided by the auditors and related companies of the auditors for the trivago Group:

Auditor's Fees

in mEUR	**2019**	**2018**
Audit fees*	2.7	2.9
Tax fees	0.0	0.0
Total	**2.7**	**2.9**

* Thereof related to the audit of the financial statements included in the annual report by Ernst & Young Accountants LLP: 0.1 mEUR (2018: 0.1 mEUR)

14. Events after the Reporting Date

Subsequent to the report date, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the global and local economy, the travel industry and our business and financial performance. Various governments and local municipalities have implemented significant measures in an attempt to control the spread of the virus, bringing travel to a near halt since March 2020. As a result, since the report date, traffic to our website declined significantly, which had a significant negative impact on our revenues, and by mid-March, we reduced our consolidated Advertising Spend to an absolute minimum, with very few exceptions where previous commitments could not be reduced. We are also evaluating our operating expenses. Considering our cash position and measures taken, management has not identified any material uncertainties about our ability to continue as a going concern.

Since the balance sheet date within this report, we recorded an expected credit loss expense of 3.8 mEUR due to increased probability of default in the current economic situation and recorded an expected credit loss associated with a long term outstanding loan due to us of 1.0 mEUR.

After the date of the balance sheet through the date of issuance of these consolidated financial statements, options exercised resulted in share issuance of 620,710 Class A shares.

10. trivago N.V.
Company Financial Statements
as of December 31, 2019

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trivago N.V.
Company Financial Statements
Statement of Profit or Loss
for the period from January 1, 2019 to December 31, 2019

in kEUR	Notes	2019	2018
Profit/(loss) from affiliated companies after taxation	1	1,562	1,574
Other income and losses after taxation	2	18,113	(23,792)
Profit/(loss) for the year after taxation		19,675	(22,218)

trivago N.V.

Company Financial Statements

Statement of Financial Position before appropriation of results as of December 31, 2019

in KEUR	Notes	12/31/2019	12/31/2018
Fixed assets			
Intangibles			
Intangible assets	3	8,125	8,761
Goodwill		3,495	3,434
Total intangibles		11,620	12,195
Tangible fixed assets	4	22,116	22,883
Right-of-use assets		91,235	—
Financial fixed assets			
Participation in group companies	5	4,985	3,395
Other long term receivables	5	9,512	9,247
Deferred tax assets	5	3,349	5,326
Total financial fixed assets		17,846	17,968
Non-current assets		**142,817**	**53,046**
Trade receivables		36,010	52,319
Trade receivables, related parties		32,566	40,858
Income tax receivables		8,025	91
Other assets		6,281	10,290
Short-term investments		10,000	—
Cash and cash equivalents	6	212,095	158,119
Current assets		**304,977**	**261,677**
Assets		**447,794**	**314,724**
Common stock A shares	7	3,049	2,554
Common stock B shares	7	181,013	185,213
Capital reserves	7	79,675	81,546
Legal reserves	7	6,640	5,522
Profit (loss) for the period	7	19,675	(22,218)
Total equity		**290,052**	**252,615**
Lease liabilities		91,456	—
Other liabilities		818	3,660
Non-current liabilities		**92,274**	**3,660**
Trade payables		34,221	33,442
Income tax liabilities		3,236	979
Lease liabilities		4,606	—
Other liabilities	8	23,405	24,028
Current liabilities		**65,469**	**58,450**
Equity and liabilities		**447,794**	**314,724**

Notes to the Company Financial Statements

General information & basis of preparation

The description of the activities and the structure of trivago N.V ("the Company" or "trivago") as included in the notes to the consolidated financial statements also apply to to the Company Financial Statements.

The financial statements of trivago N.V included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Section 2:362 (8) of the Dutch Civil Code, allows companies that apply IFRS as endorsed by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The Company has prepared these Company financial statements using this provision.

The accounting policies are described in the Summary of significant accounting policies of the consolidated financial statements and are deemed incorporated and repeated herein by reference.

In the company financial statements we apply section 2:402 of the Dutch Civil Code and will present the abridged statement of profit and loss. This is applied because the company only accounts have been processed in the consolidated financial statements.

In case single balance sheet line items and profit and loss accounts are not further disclosed in the company financial statements, we refer to the disclosure to the consolidated financial statements.

Summary of significant accounting policies

The accounting policies as included in the notes to the consolidated financial statements also apply to the company financial statements.

Investment in subsidiaries

Investments in subsidiaries refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. An investment in subsidiaries can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. An entity does not necessarily have an interest in another entity solely because of a typical customer supplier relationship.

Investments in subsidiaries are accounted at equity method.

For an overview of subsidiaries refer to the consolidated financial statements.

Expected credit losses

Expected credit losses on intercompany receivables are eliminated against the intercompany receivables themselves.

Notes to the statement of Profit or Loss

1. Profit from affiliated companies after taxation

The profit in 2019 from affiliated companies is determined as follows:

in kEUR	**total**
Profit other affiliated companies	1,562
Total	**1,562**

The profit in 2018 from affiliated companies is determined as follows:

in kEUR	**total**
Profit other affiliated companies	1,574
Total	**1,574**

2. Other income and losses after taxation

With regard to company pension plans, trivago N.V. only has defined contribution plans. trivago N.V. pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. There are no other benefit obligations for trivago N.V. after payment of the contributions. The current contribution payments are disclosed as an expenses in the respective year.

The number of employees as of reporting date is included in the consolidated financial statements.

For the remuneration of the members of both the Board of Management and the Supervisory Board, please refer to note 11, "Related Party Disclosures" in the consolidated financial statements which is deemed incorporated and repeated herein by reference.

Notes to the statement of Financial Position

3. Intangible assets

Disclosures related to the nature of the intangible assets and further information is included in note "5.1 Intangible assets" in the consolidated accounts.

in kEUR	Other Intangibles	Capitalized Software	Total
Historical cost			
As of 01/01/2018	482	13,310	13,792
Additions	—	6,800	6,800
Disposals	—	—	—
Transfer	—	—	—
Exchange rate differences	—	—	—
As of 12/31/2018	**482**	**20,109**	**20,591**
As of 01/01/2019	482	20,109	20,591
Addition	—	4,340	4,340
Disposals	—	(376)	(376)
Transfer	—	—	—
Exchange rate differences	—	—	—
As of 12/31/2019	**482**	**24,073**	**24,555**
Accumulated depreciation			
As of 01/01/2018	(64)	(6,607)	(6,671)
Additions	(142)	(3,692)	(3,834)
Disposals	—	—	—
Transfer	—	**(1,325)**	**(1,325)**
Exchange rate differences	—	—	—
As of 12/31/2018	**(206)**	**(11,624)**	**(11,830)**
As of 01/01/2019	(206)	(11,624)	(11,830)
Addition	(142)	(4,470)	(4,612)
Disposals	—	**12**	**12**
Impairments	—	—	—
Exchange rate differences	—	—	—
As of 12/31/2019	**(348)**	**(16,082)**	**(16,430)**
Net carrying amount as of 1/1/2018	**418**	**6,702**	**7,120**
Net carrying amount as of 31/12/2018	**276**	**8,485**	**8,761**
Net carrying amount as of 1/1/2019	**276**	**8,485**	**8,761**
Net carrying amount as of 31/12/2019	**134**	**7,991**	**8,125**

The impairment in 2018 of 1.3 mEUR is related to internal use software and website development that became obsolete in 2018.

4. Property, plant and equipment

Disclosures related to the nature of the intangible assets and further information is included in note '5.2 Property, plant and equipment' in the consolidated accounts.

in kEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Construction in progress	Total
Historical cost						
As of 01/01/2018	12,833	3,115	569	3,108	4,778	24,404
Additions	1,782	579	240	1,528	11,442	15,571
Disposals	(790)	(692)	(3)	(1,653)	—	(3,138)
Transfer	944	2,212	776	12,223	(16,155)	—
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2018	**14,769**	**5,214**	**1,581**	**15,207**	**65**	**36,837**
As of 01/01/2019	14,769	5,214	1,581	15,207	65	36,837
Adoption of IFRS 16	—	—	(584)	1,519	—	935
Additions	2,556	8	14	463	20	3,061
Disposals	(516)	(156)	(7)	—	—	(678)
Transfer	269	123	(457)	(490)	(11)	(566)
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2019	**17,079**	**5,189**	**548**	**16,698**	**75**	**39,588**
Accumulated depreciation						
As of 01/01/2018	(6,613)	(1,916)	(409)	(1,739)	—	(10,678)
Additions	(3,481)	(1,096)	(186)	(778)	—	(5,541)
Disposals	426	439	2	1,398	—	2,266
Transfer	—	—	—	—	—	—
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2018	**(9,668)**	**(2,573)**	**(594)**	**(1,119)**	**—**	**(13,954)**
As of 01/01/2019	(9,668)	(2,573)	(594)	(1,119)	—	(13,954)
Adoption of IFRS 16	—	—	86	(7)	—	78
Additions	(2,992)	(766)	(348)	(758)	—	(4,864)
Disposals	427	96	3	—	—	526
Transfer	(134)	(4)	244	635	—	741
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2019	**(12,366)**	**(3,247)**	**(609)**	**(1,250)**	**—**	**(17,472)**
Net carrying amount as of 1/1/2018	**6,220**	**1,198**	**160**	**1,369**	**4,778**	**13,726**
Net carrying amount as of 12/31/2018	**5,102**	**2,640**	**988**	**14,087**	**65**	**22,883**
Net carrying amount as of 1/1/2019	**5,102**	**2,640**	**988**	**14,087**	**65**	**22,883**
Net carrying amount as of 12/31/2019	**4,712**	**1,942**	**(61)**	**15,448**	**75**	**22,116**

We record property and equipment at cost, net of accumulated depreciation. 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 and furniture and other equipment. We depreciate leasehold improvement using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

5. Financial fixed assets

As of December 31, 2019 trivago holds the following direct and indirect participating interests in subsidiaries:

Name, location		Interest in %
Fully consolidated		
trivago Services B.V.	The Netherlands	100
trivago Spain S.L.U	Spain	100
Base7booking.com S.à.r.l. (in liquidation)	Switzerland	100
Base7Germany GmbH	Germany	100
TGO (Thailand) Ltd.*	Thailand	100
trivago Hong Kong Ltd.	Hong Kong	100
trivago (Shanghai) Information Consulting Co. Ltd.	China	100
trivago Hotel Relations GmbH	Germany	100
Tell Charlie B.V.	The Netherlands	100
trivago services US LLC	USA	100
trivago Hotel Relations Spain	Spain	100
Stichting trivago Warehousing	Netherlands	100
Other participating interests		
Myhotelshop GmbH**	Germany	49
Myhotelshop Spain S.L.***	Spain	49

* The remaining interest of 66,66% in TGO (Thailand) Ltd. Is proportionally held by trivago Spain S.L.U. and trivago Hong Kong Ltd.. Therefore in the consolidated group financial statements the entity TGO (Thailand) is fully consolidated.

** We hold a share in myhotelshop GmbH of 49.0% and we do not have a controlling financial interest in myhotelshop.

*** Myhotelshop Spain S.L. is a 100% subsidiary of myhotelshop GmbH.

For all consolidated subsidiaries trivago operates and controls all of the business and affairs of the subsidiary and its respective subsidiaries.

Investments in subsidiaries

in kEUR	
Opening balance 1 January 2018	1,807
Capital transactions	16
Results from subsidiaries	1,574
Investments, ending balance 31 December 2018	3,395
Opening balance 1 January 2019	3,395
Capital transactions	28
Results from subsidiaries	1,562
Investments, ending balance 31 December 2019	4,985

Other long term receivables

in kEUR	
Opening balance 1 January 2018:	8,646
Increase various	601
Balance as of December 31, 2018:	9,247
Opening balance 1 January 2019:	9,247
Increase various	265
Balance as of December 31, 2019:	9,512

As of December 31, 2019 and as of December 31, 2018 there are no accumulated revaluations, depreciation or impairment charges related to investments of subsidiaries.

Deferred Tax Asset	
in kEUR	
Opening balance 1 January 2018:	4,329
Additions	997
Balance as of 31December 2018:	5,326
Opening balance 1 January 2019:	5,326
Additions/(Reductions)	(1,977)
Balance as of 31 December 2019:	3,349

6. Cash and cash equivalents

in kEUR	As of December 31, 2019	As of December 31, 2018
Cash at banks and on hand	212,095	158,119
Total	**212,095**	**158,119**

The development and application of cash and cash equivalents is stated in the consolidated statement of cash flows. All cash at banks and on hand is available for immediate use by the group, without any restrictions.

7. Equity

	Issued capital	Capital reserves	Legal reserves	Unappropriated results	Retained earnings	Total equity
January 1, 2018	**193,734**	**69,849**	**3,639**	**(14,572)**	**(1,309)**	**251,340**
Restatement IFRS 9: ECL Calculation	—	—	—	—	25	25
January 1, 2018 restated	**193,734**	**69,849**	**3,639**	**(14,572)**	**(1,284)**	**251,365**
Appropriation of prior year's result	—	—	—	14,572	(14,572)	—
Other comprehensive income (net of tax)	—	91	—	—	—	91
Share-based compensation expense NV level	—	23,216	—	—	—	23,216
Conversion of Class B shares	(6,000)	6,000	—	—	—	—
Issued capital, options exercised	32	129	—	—	—	161
Transfer of reserves to legal reserve, due to internally developed software	—	(1,884)	1,884	—	—	—
Net profit (loss)	—	—	—	(22,218)	—	(22,218)
December 31, 2018	**187,767**	**97,402**	**5,522**	**(22,218)**	**(15,856)**	**252,615**
January 1, 2019	**187,767**	**97,402**	**5,522**	**(22,218)**	**(15,856)**	**252,615**
Appropriation of prior year's result	—	—	—	22,218	(22,218)	—
Other comprehensive income (net of tax)	—	151	—	—	—	151
Share-based compensation expense NV level	—	17,408	—	—	—	17,408
Conversion of Class B shares	(3,780)	3,780	—	—	—	—
Issued capital, options exercised	75	127	—	—	—	202
Transfer of reserves to legal reserve	—	(1,118)	1,118	—	—	—
Net profit (loss)	—	—	—	19,675	—	19,675
December 31, 2019	**184,062**	**117,749**	**6,640**	**19,675**	**(38,074)**	**290,052**

Capital stock
As of December 31, 2019, we had ADSs representing 50,816,706 Class A shares outstanding, 209,008,088 Class B shares outstanding.

As of December 31, 2018, we had ADSs representing 42,559,884 Class A shares outstanding, 209,008,088 Class B shares outstanding.

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, ELPS 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.

Legal reserves
A legal reserve is included for internally developed capitalized software which is included in trivago N.V. as December 31, 2019.

Income for the period
An unappropriated income for the period of 19,675 kEUR exists as of December 31, 2019.

8. Other liabilities

Other liabilities in the amount of 23,405 kEUR (prior year: 24,028 kEUR) consist of both financial liabilities and non-financial liabilities and are specified in the table below.

Other financial liabilities

	12/31/2019	12/31/2018
in kEUR	Current	Current
Deposit	331	343
Liabilities to employees	1,093	513
Invoices to be received	3,208	4,418
Other	1,263	6,941
Total	**5,895**	**12,215**

Other non-financial liabilities

	12/31/2019	12/31/2017
in kEUR	Current	Current
Deferred income	5,322	7,917
Other taxes liabilities	1,617	2,284
Liabilities to employees	831	1,308
Other	9,740	304
Total	**17,510**	**11,813**
Total other liabilities	**23,405**	**24,028**

9. Auditors' Fees

For the auditors' fees for the year refer to the consolidated financial statements.

10. Events after the reporting date

For the events after the reporting date refer to the consolidated financial statements.

Signature page to the Dutch statutory board report and financial statements of trivago N.V. for the fiscal year ended 31 December 2019.

Düsseldorf, Germany May 26, 2020.

Management Board

/s/ A.P. Hefer

/s/ T.J. Thomas

Supervisory Board

/s/ R. Dzielak

/s/ A. Gorin

/s/ L.N. Östberg

/s/ P.M. Kern

/s/ F.G. Mazzella

/s/ H. Mankodi

/s/ R.T. Schrömgens

11. Other Information

11.1. Profit appropriation

Under the Articles, subject to applicable law, the profits shown in the Company's annual accounts in respect of any fiscal year shall be appropriated as follows, and in the following order of priority:

a. subject to the approval of the Supervisory Board, the Management Board shall determine which part of the profits shall be added to the Company's reserves; and
b. any remaining profits shall be at the disposal of the General Meeting for distribution on the class A shares and the class B shares as if they are shares of the same class.

We plan to add our income to retained earnings.

11.2. Special rights of control under the Articles

As indicated in section 7 of the financial statements, the authorized share capital of the Company includes and the Company has issued class B shares, which are not listed and carry ten votes in the General Meeting each, whereas a class A shares (represented by the Nasdaq listed American Depositary Shares) carry only one vote in the General Meeting each. As at 31 December 2019, majority of class B shares were held by ELPS and the minority of class B shares was held by the founders.

As of December 31, 2019, Expedia Group's ownership interest and voting interest in trivago N.V. is 59.3% and 68.1%, respectively, and the Founders had an ownership interest and voting interest of 26.3% and 30.2%, respectively.

Other than the class B shares, the Articles do not grant any party special rights of control (*zeggenschap*) in respect of the Company.

11.3. Non-voting shares and shares carrying limited economic entitlement

Not applicable. The Company has not issued non-voting shares and all class A shares and all class B shares rank *pari passu* in respect of their economic entitlements.

11.4. Other establishments

The Company does not have any other establishments in addition to the Company's offices in Düsseldorf and Leipzig, Germany.

12. Independent Auditors Report

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Independent auditor's report

To: the shareholders and supervisory board of trivago N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of trivago N.V., based in Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of trivago N.V. as at 31 December 2019, and of its result and its cash flows for the year 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of trivago N.V. as at 31 December 2019, and of its result for the year 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated statement of profit or loss, the consolidated statements of other comprehensive income or loss, changes of equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2019
- The company statement of profit or loss for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of trivago N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Our audit approach

Our understanding of the business

Trivago is a global hotel and accommodation search platform. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€6,300,000 (2018: €4,600,000)
Benchmark applied	0.75% of revenue (2018: 0.5% of revenue)
Explanation	Based on our professional judgment we have considered an activity-based measure as the appropriate benchmark to determine materiality. We consider revenue to be the most relevant measure given the nature of the business, the strategy of the company and the expected focus of the users of the financial statement. We have increased the percentage compared to last year to reflect a further stabilization of trivago's business operations.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €315,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks
In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 1.2 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.
If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern
In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit
trivago N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of trivago N.V.

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Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

As processes at trivago N.V. are centralized, we have applied a centralized audit approach together with EY Germany. Our group audit mainly focused on the statutory entity trivago N.V. with its statutory seat in Amsterdam, the Netherlands, as the majority of the operations of the group take place within that entity.

Our audit coverage for total revenues and for total assets can be summarized as follows:
- For revenues, our audit procedures achieved a coverage of 99%.
- For total assets, our audit procedures achieved a coverage of 99%.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the industry. We included valuation, IT audit and income tax specialists.

General audit procedures

Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter 'Valuation of share-based compensation' which was included in our last year's auditor's report, is not considered a key audit matter for this year as the position became less complex when legacy share-based compensation plans ended in 2018.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (Note 4.1)	
Risk	Revenue is one of the key indicators of the Company's performance and focus of the users of the financial statements. Cost per click (CPC) (or referral) revenue accounts for the majority of the Company's revenue (over 98%), which is driven by each user's click on an advertisement. Revenue is recognized at a point in time, which relates to the moment when the user's click on an advertisement has occurred. CPC revenue is processed within underlying IT systems at the Company. Given the specific business model, risk of management override, and complexity of related IT systems regarding which clicks to record, revenue is significant to our audit and therefore identified as a key audit matter.
Our audit approach	Our audit procedures included an assessment of the appropriateness of Company's revenue recognition policies and understanding of the internal (IT) control environment with evaluation of design and testing of controls effectiveness in the area of revenue recognition. We performed a combination of substantive audit procedures to address the risk relating to the revenue recognition. Our focus included examining agreements with significant customers, audit procedures on the applicable IT systems, performing sales cut-off procedures, review of (manual) journal entries, and data analytics procedures over key revenue stream including the relation to marketing spent and comparisons with prior periods. For a sample of revenue invoices we independently confirmed with Company's significant customers the occurrence of revenue recorded and clicks generated for the period. Finally, we reviewed the adequacy of the disclosures made by the Company in this area and included in Note 4.1 Sales.
Key observations	We assessed that the Company's revenue recognition accounting policies were appropriately applied. Based on the audit procedures performed, we did not identify any material misstatements in the revenue reported and conclude that the disclosures in Note 4.1 *Sales* are adequate.

Completeness and existence of marketing accruals related to TV advertising (Note 5.9)	
Risk	TV Marketing accruals amount to €10.1 million at 31 December 2019 (2018: €8.2 million). TV marketing accruals are estimated depending on the amount that is expected by management to be incurred for TV spots prior to invoice receipt. We focus on TV marketing accruals as they require more complex estimation compared to other marketing accruals.
Our audit approach	Our audit procedures included, amongst others, obtaining an understanding of the accrual process and testing the effectiveness of the Company's internal controls around the identification and evaluation of TV marketing expenses, and the recording and continuous reassessment of the related accrued TV marketing expenses. Our procedures were primarily focused on the markets and vendors with more judgment involved in the estimation of the year-end accrual. We performed detailed audit testing of a risk-based sample of TV marketing accruals as of year-end, analytical procedures on TV marketing accruals, analysis of TV marketing accruals and their utilization recognized, inspection of expected TV marketing credit notes based on the contractual rebates received from vendors and a search for unrecorded liabilities. We also assessed the adequacy of the disclosure relating to TV marketing accruals as included in the other liabilities in Note 5.9 Trade payables and other liabilities.
Key observations	We consider management's estimation related to TV marketing accruals reasonable. Based on the audit procedures performed, we did not identify any material misstatements in the TV marketing accruals reported and conclude that the disclosures in Note 5.9 *Trade payables and other liabilities* are adequate.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty.

trivago N.V. is confronted with this uncertainty as well, that is disclosed in the Dutch Statutory Board Report section 3.2. and in Note 14 "Events after the Reporting Date". We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Dutch Statutory Board Report
  - Introduction
  - Company and Business Overview
  - Financial Overview
  - Risk Management and Risk factors
  - Corporate Governance
  - Compensation Report

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  - Related Party Disclosures
  - Protective Measures
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Dutch Statutory Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of trivago N.V. on 21 February 2017 as of the audit for the year 2016 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 26 May 2020

Ernst & Young Accountants LLP

signed by P.J.A. Gabriëls