Annual report of trivago N.V.
for the fiscal year ended 31 December 2020

Table of Contents

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. References to "Expedia Group" mean our majority shareholder, Expedia Group, Inc., together with its subsidiaries. References to our "Founders" mean Rolf Schrömgens, Peter Vinnemeier and Malte Siewert, collectively.

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.

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 continued material adverse effect of the COVID-19 pandemic on the global and local economy, the travel industry and our business and financial performance;
- any acceleration of long-term changes to consumer behavior and industry structure arising from the COVID-19 pandemic that may have a significant adverse effect on our business model and our future competitiveness and profitability and the speed and extent of the recovery across the broader travel industry;
- any additional impairment of goodwill;
- 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 cost-per-click, or CPC, 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;
- our ability to implement our strategic initiatives;
- increasing competition in our industry;
- 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 with content;
- 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 risk 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

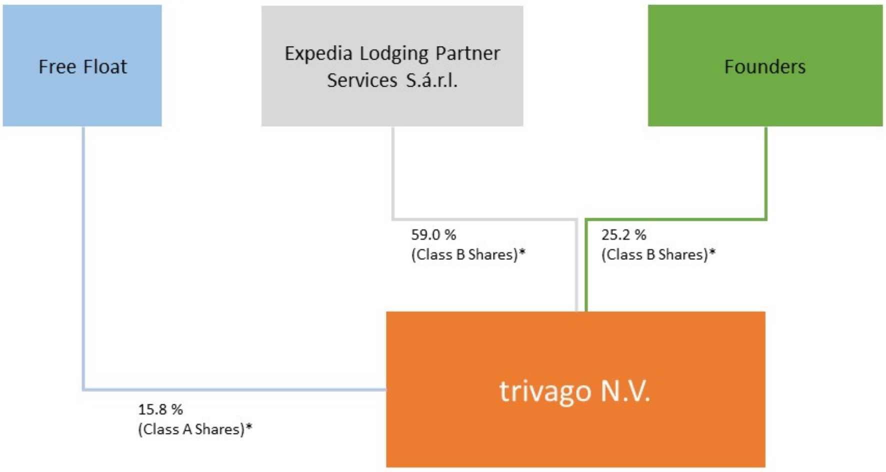
We were incorporated on November 7, 2016 as travel B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law. On December 16, 2016, we completed our initial public offfering, or IPO, on the Nasdaq Stock Exchange. In connection with our IPO, 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, 2020, we had 834 employees (prior year: 1,247 employees).

2.2. Organizational structure

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, 2020:



** 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. 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. On June 2, 2020, Mr. Vinnemeier entered into a Rule 10b5-1 sales plan with a broker to sell 3,500,000 American Depositary Shares, or ADSs. The chart above assumes Mr. Vinnemeier has sold all ADSs that are the subject of the trading plan, which was scheduled to remain in effect until March 31, 2021.*

trivago N.V. is the direct or indirect holding company of our subsidiaries.

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.

As a result of recent negotiations of our lease contract for the campus in Düsseldorf, Germany, we signed an amendment to the contract, which became effective in January 2021. The agreement includes the return of unused office spaces and a corresponding reduction of rent, as well as the sale of certain fixed assets related to the space to the landlord.

We have additional 2,951 square meters of leased office space in Germany and 381 square meters of leased office space in Spain.

2.4. Business Overview

2.4.1. Overview

trivago is a global 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, 2020, we had 240.6 million Qualified Referrals and, as of that date, offered access to more than 5.0 million hotels and other types of accommodation, including 3.8 million units of alternative accommodation such as vacation rentals and private apartments, in over 190 countries.

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 online travel agencies, or 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. 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, 2020, our revenue share from mobile websites and apps continued to exceed 60%.

In the year ended December 31, 2020, we generated revenue of €248.9 million and a net loss of €39.4 million.

2.4.2. trivago's search platform

Our accommodation 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 accommodations in the world. As of December 31, 2020, our database included more than 5.0 million (2019: 4.5 million) hotels and other types of accommodations, gathered through OTAs, hotel chains, independent hotels and providers of alternative accommodations. As of December 31, 2020, we offered access on our search platform to more than 3.8 million (2019: 3.3 million) units of alternative accommodation, such as vacation rentals and private apartments.

Our users initially search via a text-based search function, which supports searches across a broad range of criteria. The search results show a user an accommodation listing page. For hotels, the page contains 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 2020

During 2020, we added a variety of new features to our existing trivago core product, including enhancements to how we display results, new price comparison features, filtering enhancements, and other visual display improvements. We also launched the first version of our new "Discover" product, designed to promote local travel searches, providing users with inspiration to travel to nearby destinations. In 2020, we also began to offer our advertisers the ability to promote their brands through display-based advertising placements and sponsored listings on our websites. For more information on sponsored listings, see *2.4.5. Marketplace* below.

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, our online magazine and email.

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! and through display advertising campaigns on advertising networks, affiliate websites and social media sites. Mobile app marketing remains important given the high usage of that device type.

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 look at a range of metrics including behavior on the trivago website as well as subsequent booking behavior with our partners to determine the optimal mix of spend.

2.4.4. Sales

Our sales 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, offering products to further enhance their profiles, and encouragement to start running a CPC or CPA campaign directly on our marketplace. This often multi-stage process requires our sales team to develop close relationships with each accommodation provider.

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. Our tools and services, including the subscription-based trivago Business Studio Pro Apps Package, 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.

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.

2.4.5.1. CPC Bidding Model

Our advertisers continue to participate in our marketplace primarily through CPC, or cost-per-click, bidding. Advertisers that use this method submit CPC bids for each user click on an advertised rate for a hotel. 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. With "bid modifiers", advertisers can adjust their bids for referrals according to a variety of dimensions, including time-to-travel and length-of-stay.

In 2020, we also began to offer our advertisers the opportunity to advertise and promote their business through hotel/accommodation sponsored placements on our websites. This service is generally also priced on a CPC basis, and guarantees that advertiser placement in a pre-selected slot at the top of our search results.

2.4.5.2. Cost-per-acquisition model

In response to the changing market environment in 2020, we began to offer our advertisers the opportunity to participate in our marketplace on a CPA, or cost-per-acquisition, basis, whereby an advertiser pays us a percentage of the booking revenues that ultimately result from a referral. The CPA model enables our advertisers to be charged only in the event a user ultimately completes a booking and allows advertisers to reduce their risk as they only pay when an actual booking takes place. Advertisers may set multiple CPA campaigns in a given market, and update CPA inputs for each campaign frequently. When an advertiser opts to participate in our marketplace on a CPA basis, we calculate a CPC bid-equivalent based on potential booking value and conversion and the CPA inputs. This equivalent is then used for the purpose of the ranking and sorting algorithm described below.

2.4.5.3. Ranking and sorting algorithm

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 (or CPC equivalent, as the case may be).

CPC levels 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 pay. 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.

By managing their CPC bids, their CPA campaigns 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 services to help our advertisers, 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 strategy

Our mission is "to be your companion to experience our world." We seek to enable people to navigate the world of travel and experiences through products that make the vast number of available options accessible and comparable for our users and offer inspiration. To fulfill our mission and successfully support our customers and partners, our strategy is focused on continuous improvement of our existing products, as well as enhancing our value proposition to serve our customers across a broader spectrum of their travel and leisure needs.

Our core travel search product is tailored towards users that have a very specific trip or experience in mind and are searching for the best way to fulfill their needs. With a comprehensive coverage of accommodation options across markets, accommodation categories and rate options, we strive to continue to serve a key need of our users and believe this ability has built our position as a leading global accommodation search platform. We intend to enhance our core offering while assessing which complementary search services are beneficial to our users to help improve their overall search experience.

More recent product developments are focused on users who want to travel but are in need of inspiration as to where and when to travel. We have started to develop a product that offers inspiration for local travel and will continue to expand our offering to inspire our users to experience the world.

2.4.7. 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 Referral 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 28% of our Referral Revenue for the year ended December 31, 2020. Booking Holdings and its affiliated brands, including Booking.com, Agoda and priceline.com, accounted for 46% of our Referral Revenue for the year ended December 31, 2020.

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*.

2.4.8. 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.

2.4.8.1. 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.

2.4.8.2. 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.

2.4.9. Our employees and culture

We believe that our entrepreneurial corporate culture is a key ingredient to our success. It has 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 improve 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.

We consider these values as the foundations of our corporate culture and encourage our employees through regular feedback processes to act and work in accordance with such values.

2.4.10. 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 Spend. 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. It is difficult to forecast the seasonality for future periods, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of any sustained recovery.

2.4.11. 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, our "WABI" trivago logo and our trivago logo. These trademarks are registered in various jurisdictions.

2.4.12. Government regulation

trivago provides, receives and shares data and information with its users, advertisers and other online advertising providers 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, or EU (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 also be exposed to civil litigation including claims for damages and other adverse consequences. 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. Further, the United Kingdom's exit from the European Union has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, while the Data Protection Act of 2018, which implements and complements the GDPR achieved Royal Assent on May 23, 2018 is now effective in the United Kingdom alongside a UK only adaptation of the GDPR which took effect on January 1, 2021, it is still unclear whether transfer of data from the EU to the United Kingdom will remain lawful under the GDPR without additional safeguards. 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. Other substantial markets such as Brazil and California have implemented privacy laws with similar provisions. The United States could implement a federal privacy law. Australia and New Zealand have or are amending their privacy laws. As a result of Brexit, the existing privacy laws in the United Kingdom could change. Many other markets are implementing privacy legislation. This may require relevant financial effort to implement.

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. The laws, rules, and regulations regarding cross-border transfers of personal data, including laws relating to transfer of personal data outside the EU are rapidly evolving and likely to remain uncertain for the foreseeable future. Recent legal developments in the EU have created complexity and uncertainty regarding transfers of personal data from the EU to the United States and other jurisdictions. For example, on July 16, 2020, the European Court of Justice, or CJEU, invalidated the EU-U.S. Privacy Shield framework, or Privacy Shield, which provided companies with a mechanism to comply with data protection requirements when transferring personal data from the EU to the United States. The same decision also cast doubt on the ability to use one of the primary alternatives to the EU-U.S. Privacy Shield framework, namely, the European Commission’s Standard Contractual Clauses, to lawfully transfer personal data from Europe to the United States and most other countries. At present, there are few if any viable alternatives to the Privacy Shield Frameworks and the Standard Contractual Clauses for the foregoing purposes, 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, The EU's Data Governance Act, The EU's Digital Markets Act, The EU's Digital Services Act).

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 (such as possibly requiring browsers to block access and use of device data and storage by default) 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 effectively anticipates 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.

2.4.13. Technology and infrastructure

2.4.13.1. 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.

2.4.13.2. Infrastructure

We host our platform at three different locations in Germany, the United States and Hong Kong, 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.

2.4.13.3. Software

We develop our own software employing a rigorous iterative approach. This includes the proprietary algorithm underlying our search function, internal management tools, data analytics and advertiser tools.

2.4.14. Legal proceedings

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

A number of regulatory authorities in Europe, Australia, and elsewhere have initiated litigation and/or market studies, inquiries or investigations relating to online marketplaces and how information is presented to consumers using those marketplaces, including practices such as search results rankings and algorithms, discount claims, disclosure of charges and availability and similar messaging. For example, the U.K. Competition & Markets Authority, or CMA, announced the launch of a consumer law investigation into online hotel booking sites in the United Kingdom in October 2017. On July 26, 2018, the CMA informed us of its decision to open an investigation into certain of our display practices in the United Kingdom that the CMA considered 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 resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding of liability.

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. On November 4, 2020, the Australian Federal Court dismissed trivago’s appeal. On May 27, 2021, the court scheduled a separate trial regarding penalties and other orders for October 18, 2021, after vacating the prior June 2021 trial date. Management recorded an estimate of the probable loss in connection with these proceedings.

In establishing a provision in respect of the ACCC matter, management took into account the information currently available, including judicial precedents. 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. Only a few cases have been decided so far assessing penalties for contraventions of the ACL under the new regime. The Australian Federal Court in each case did not allocate the total penalty imposed between the old and new penalty regime. As a result, an estimate of the reasonable possible loss or range of loss in excess of the amount reserved cannot be made.

2.4.15. Corporate social responsibility

trivago acknowledges the importance of corporate social responsibility and aims to conduct its business in the most sustainable manner. In 2020, we committed to create an inclusive workplace. To reflect our growing focus on diversity and inclusion, we created a position within our human relations function to coordinate our efforts and we aim at driving these measures in 2021. Furthermore we focused on donating to 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, 2019 and 2020 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 operations* 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)

		2019		**2020**
Consolidated statement of operations:				
Sales	€	838,617	€	248,921
Cost of sales		9,187		10,171
Gross profit		**829,430**		**238,750**
Selling and distribution expenses		663,316		177,563
Technology and content		69,025		62,278
General and administrative expenses		52,567		42,316
Other operating income (expense)		429		210
Operating profit/(loss)		**44,093**		**(43,617)**
Finance expense		3,874		3,918
Share of profit/(loss) of an associate		453		(739)
Profit/(loss) before taxes		40,672		(48,274)
Income taxes		20,997		(8,907)
Profit/(loss) for the year		**19,675**		**(39,367)**
Weighted average shares of Class A and Class B common stock outstanding - basic		351,991		353,338
Weighted average shares of Class A and Class B common stock outstanding - diluted		357,280		353,338
Earnings per share attributable to Class A and Class B common stockholders - basic	€	0.06	€	(0.11)
Earnings per share attributable to Class A and Class B common stockholders - diluted	€	0.06	€	(0.11)

3.1.1. Selected Consolidated Statement of Financial Position Data:

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

(in thousands)		**As of December 31, 2019**		**As of December 31, 2020**
Cash	€	218,106	€	208,353
Total assets		452,426		390,700
Total current liabilities		66,192		37,588
Total equity	€	290,052	€	266,490

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)	**2019**	**2020**
Cash provided by (used in):		
Operating activities	€ 83,190	€ 13,290
Investing activities	(18,134)	(16,147)
Financing activities	(8,915)	(5,621)

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, 2019 and 2020 was €838.6 million and €248.9 million, respectively, representing a decrease of 70%. Our Referral Revenue for the years ended December 31, 2019 and 2020 was €823.6 million and €238.4 million, respectively, representing a decrease of 71%.

The decrease in Referral Revenue was broadly similar across all segments with a year-over-year decrease of 71%, 70% and 73% in Americas, Developed Europe and Rest of World.

Our profit for the year ended December 31, 2019 was €19.7 million, while our loss for the year ended December 31, 2020, was €39.4 million, representing a decrease of €59.0 million from 2019 to 2020.

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. In the third quarter of 2020, we started to offer our advertisers the option to participate in our marketplace on a cost-per-acquisition, or CPA, basis and plan to onboard additional advertisers to CPA billing in 2021. See *2.4.5 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:

	Year ended December 31,		% Change
(in millions) (unaudited)	**2019**	**2020**	**2020 vs 2019**
Americas	146.1	70.5	(51.7)%
Developed Europe	195.4	90.9	(53.5)%
Rest of World	180.5	79.2	(56.1)%
Total	522.0	240.6	(53.9)%

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:

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

where

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

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

RPQR is determined by the CPC bids our advertisers submit on our marketplace as the CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Advertisers can analyze the number of referrals obtained from their advertisements on our marketplace and the consequent value generated from a referral based on the booking value they receive from users referred from our site to determine the amount they are willing to bid. Accordingly, the bidding behavior of our advertisers is influenced by the rate at which our Qualified Referrals result in bookings on their websites, or booking conversion, and the amount our advertisers obtain from Qualified Referrals as a result of hotels and other accommodation booked on their sites, or booking value. 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. 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. 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, 2019	Year ended December 31, 2020	% Change 2020 vs 2019
Americas	2.09	1.27	(39.2)%
Developed Europe	1.78	1.13	(36.5)%
Rest of World	0.95	0.58	(38.9)%
Total	**1.58**	**0.99**	**(37.3)%**

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.

% decrease in RPR (unaudited)	Year ended December 31, 2020 vs 2019
Americas	(35.9)%
Developed Europe	(30.6)%
Rest of World	(33.3)%
Total	**(31.1)%**

% decrease in number of referrals (unaudited)	Year ended December 31, 2020 vs 2019
Americas	(54.8)%
Developed Europe	(57.2)%
Rest of World	(60.4)%
Total	**(57.7)%**

% decrease in Qualified Referrals (unaudited)	Year ended December 31, 2020 vs 2019
Americas	(51.7)%
Developed Europe	(53.5)%
Rest of World	(56.1)%
Total	**(53.9)%**

% decrease in click-out (unaudited)	Year ended December 31, 2020 vs 2019
Americas	(5.9)%
Developed Europe	(8.1)%
Rest of World	(10.1)%
Total	**(8.4)%**

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.

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, 2019 and 2020 was as follows:

	Year ended December 31,	
ROAS by segment (unaudited)	**2019**	**2020**
Americas	130.4%	156.8%
Developed Europe	150.7%	169.3%
Rest of World	112.5%	143.2%
Consolidated ROAS	133.6%	158.9%

In 2020, Consolidated ROAS improved to 158.9% compared to 133.6% in the same period in 2019. ROAS improved by 26.4ppts, 18.6ppts and 30.7ppts in Americas, Developed Europe and RoW, respectively, compared to the same period in 2019.

The increases in ROAS were mainly driven by significant reductions in brand marketing activities and higher ROAS targets in our performance marketing channels in reaction to the COVID-19 pandemic. As a result, Advertising Spend decreased by 75.6%, 73.6%, 78.9% in Americas, Developed Europe and RoW, respectively. Across all segments, the reductions in Advertising Spend more than offset the decline in Referral Revenue resulting from lower Qualified Referrals and RPQR.

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 that 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 and ongoing trends in our business

The following recent and ongoing 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. COVID-19 Pandemic

During 2020, the COVID-19 pandemic, and measures to contain the virus, including government travel restrictions and quarantine orders, have had a significant negative impact on us, as well as the travel industry generally. Since the onset of the COVID-19 pandemic in early 2020, Qualified Referrals and RPQR have been significantly below prior year levels. The COVID-19 pandemic has negatively impacted consumer sentiment and consumers' ability to travel, and many of our advertisers, particularly hotels, continue to operate at reduced service levels. We have also experienced elevated volatility on our marketplace due to mandated travel restrictions, and our advertisers have implemented varied bidding strategies, as their expectations regarding cancellations differ in significant respects. The pandemic has also had broader economic impacts, including an increase in unemployment levels and reduction in economic activity, which may lead to prolonged recessions and further a reduction in consumer or business spending on travel activities, which may negatively impact the timing and level of a recovery in travel demand. As a result of the increased number of COVID-19 cases that intensified in October 2020 and related implementations of additional travel restrictions in the fourth quarter of 2020, particularly in Europe, we have seen recent reversals of our somewhat improved financial results in the summer period, when the spread of the virus had been contained to varying degrees in certain countries, some travel restrictions had been lifted and some consumers had become more comfortable traveling, particularly to domestic locations.

We expect COVID-19 to continue to significantly impact our financial and operating results well into 2021. However, the full duration and total impact of COVID-19 remains uncertain, and it is difficult to predict how the recovery will play out for the travel industry and, in particular, our business.For more information on how the COVID-10 pandemic is expected to affect the Company throughout 2021, see *3.3. Impact of COVID-19/Outlook.*

There is considerable uncertainty to what extent and when our largest advertisers will resume advertising on our platform in the future at levels similar to (or approaching) those preceding the pandemic. Our eventual recovery after the COVID-19 pandemic may be affected by a number of factors including:

- our advertisers' future willingness to emphasize us as a traffic acquisition channel and to increase their bids on our marketplace to pre-pandemic levels;
- our future marginal returns on Advertising Spend once we resume significant marketing activities (particularly on TV);
- the effect on our advertising strategy as a result of the accelerated shift from linear TV to digital formats;
- travelers' preferences for types of destinations (e.g., cities) or accommodation types that we have historically been better able to monetize but have had a declining share during the pandemic;
- the timing of the recovery, if any, of certain kinds of travel (e.g., business travel) as a result of the pandemic;
- further industry consolidation;
- the continued effect of competition on us, particularly from Google Hotel Ads; and
- the continued declining share of first-time users that we can deliver to our largest OTA advertisers, which may have been accelerated by the pandemic and may, in turn, negatively affect RPQR.

3.2.3.2. Restructuring and maintenance of liquidity position

In response to this challenging environment, we took a number of steps during 2020 to maintain our cash liquidity and our relationships with our advertisers:

- To preserve our cash reserves, we undertook a restructuring, making significant headcount reductions and consolidating our office locations, which resulted in restructuring costs of €6.4 million in 2020. We also signed an amendment to our lease contract for our campus in Düsseldorf, which became effective in January 2021. As amended, the agreement provides for the return of unused office space as of January 1, 2021 and a corresponding reduction of rent, as well as the sale to the landlord of certain fixed assets related to the space. As a result of this amendment and the restructuring, we expect to reduce our personnel and office related expenses in 2021 in an aggregate amount of approximately €25 million compared to 2019. This reduction is expected to relate primarily to technology and content, selling and marketing and general and administrative expenses. As of the date of this annual report, we do not expect to incur material restructuring charges in 2021, and do not expect the restructuring to have a material impact on revenue in 2021. See *Note 4.6. Personnel expenses - Restructuring* for further details.
- We significantly reduced Advertising Spend, our largest variable expense. For the year 2020, our consolidated Advertising Spend was €150.0 million, compared to €616.7 million in 2019. We were able to reduce or delay our advertising commitments, with very few exceptions where previous commitments could not be reduced.
- Our account management and finance teams worked very closely with our advertisers to find solutions to manage our receivables that were outstanding at the outset of the COVID-19 pandemic. We accommodated the requests of many advertisers to extend payment dates and to pay outstanding invoices in installments and were able to collect the great majority of such receivables.

As a result of these efforts, total cash, cash equivalents and restricted cash amounted to €208.4 million as of December 31, 2020 compared to €218.1 million as of December 31, 2019.

3.2.3.3. 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, 2020, our revenue share from mobile websites and apps continued to exceed 60%.

Visitors to our search platform via mobile phones and tablets 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 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.

3.2.3.4. Advertiser structure

We continue to generate most of our Referral 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 28% of our Referral Revenue for the year ended 2020. Booking Holdings and its affiliated brands, Booking.com, Agoda and priceline.com accounted for 46% of our Referral Revenue for the year ended 2020. 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.

3.2.4. *Results of Operations*

3.2.4.1. Revenue

Our total revenue in the year ended December 31, 2020 consisted of Referral Revenue of €238.4 million and other revenue of €10.6 million.

Total revenue for the year ended December 31, 2020 was €248.9 million, representing a decrease of €589.7 million, or 70.3%, compared to the year ended December 31, 2019. Revenue from related parties for the year ended December 31, 2020 decreased by €217.2 million, or 76.3%, compared to the year ended December 31, 2019, while revenue from third parties decreased by €372.5 million, or 67.2% for the same period.

Referral Revenue for the year ended December 31, 2020 was €238.4 million, representing a decrease of €585.2 million, or 71.1%, compared to the year ended December 31, 2019. Referral Revenue was negatively impacted by significant declines in Qualified Referrals and RPQR. The number of Qualified Referrals decreased by 53.9% in the year ended December 31, 2020 compared to the same period in 2019, while RPQR decreased by 37.3%.

The year-over-year decline in Qualified Referrals was broadly similar among all segments. It was primarily driven by significant traffic volume declines resulting from the subdued levels of travel activities due to the COVID-19 pandemic and subsequent reductions in our Advertising Spend across all of our segments.

RPQR decreased in all segments in the year ended December 31, 2020 primarily driven by cautious behavior of our advertisers due to continued uncertainty around future cancellations, which is reflected in lower bidding levels across all segments, as well as by significant reductions by advertisers of their bids on our platform and the deactivations of campaigns made in initial response to the COVID-19 outbreak.

This softness in bids was the primary driver for the year-over-year decline in RPQR across all segments. In the second half of 2020, we additionally experienced negative impacts from foreign exchange rate effects, in particular due to the relative weakening of the U.S. dollar and certain currencies in Latin Americas to the euro.

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

	Year ended December 31,		% Change
(in millions)	**2019**	**2020**	**2020 vs 2019**
Americas	€ 305.1	€ 89.3	(70.7)%
Developed Europe	347.1	102.9	(70.4)%
Rest of World	171.5	46.1	(73.1)%
Total	€ 823.6	€ 238.4	(71.1)%

Note: Some figures may not add due to rounding.

Referral Revenue in the Americas in the year ended December 31, 2020 decreased by €215.8 million, or 70.7%, compared to the year ended December 31, 2019. The year-over year decline in Referral Revenue in this segment was mainly driven by a decline in Qualified Referrals and RPQR as a result of the COVID-19 pandemic.

Qualified Referrals declined significantly after the outbreak of the COVID-19 pandemic. In the second half of 2020, this decline in Qualified Referrals was less pronounced. RPQR decreased by €0.82, or by 39.2% in the year ended December 31, 2020 compared to the same period in 2019, primarily due to reductions by advertisers of their bids on our platform and the deactivations of campaigns in initial response to the COVID-19 outbreak, as well as the softness in bids described above. RPR decreased by 35.9%, compared to the year ended December 31, 2019.

Referral Revenue in Developed Europe in the year ended December 31, 2020 decreased by €244.2 million, or 70.4%, compared to the year ended December 31, 2019 which was mainly driven by the COVID-19 outbreak. Referral Revenue declined significantly at the outbreak of the COVID-19 pandemic but improved somewhat during the summer months, when the COVID-19 pandemic was relatively muted in Developed Europe. This improvement reversed itself later in the year as a result of the reimplementation of additional travel restrictions in Developed Europe.

RPQR decreased by €0.65, or by 36.5% in the year ended December 31, 2020 compared to the year ended December 31, 2019 due to reductions by advertisers of their bids on our platform and the deactivations of campaigns in initial response to the COVID-19 outbreak, as well as the softness in bids described above. The RPR for the period decreased by 30.6%, compared to the year ended December 31, 2019.

Referral Revenue in RoW in the year ended December 31, 2020 decreased by €125.4 million, or 73.1%, compared to the year ended December 31, 2019, which was mainly driven by the COVID-19 outbreak. Referral Revenue declined significantly at the outbreak of the COVID-19 pandemic. This decline was less pronounced during the second half of 2020, when the COVID-19 pandemic was relatively muted in RoW. This improvement reversed itself later in the year as a result of the reimplementation of additional travel and warnings in RoW. RPQR decreased by €0.37, or 38.9% in the year ended December 31, 2020 compared to the year ended December 31, 2019 due to reductions by advertisers of their bids on our platform and the deactivations of campaigns in initial response to the COVID-19 outbreak, as well as the softness in bids described above. The RPR for the period decreased by 33.3% compared to the year ended December 31, 2019.

3.2.4.2. Cost of revenue

Our cost of revenue consists primarily of our third-party cloud-related service provider expenses, data center costs, personnel-related expenses and share-based compensation for our data center operations staff and our customer service team.

Cost of revenue was €10.2 million for the year ended December 31, 2020, and increased by €1.0 million, or 10.7%, compared to the year ended December 31, 2019. The increase was primarily driven by higher personnel expenses of €0.7 million mainly due to higher headcount included in cost of revenue, as well as higher third-party IT service providers costs. Share-based compensation decreased by €0.1 million in the year ended year ended December 31, 2020, compared to the year ended December 31, 2019.

3.2.4.3. Selling and marketing

Selling and marketing is divided into advertising expense and other selling and marketing expenses, as well as share-based compensation expense.

Advertising expense consists of fees that we pay 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 personnel-related expenses for our marketing, sales and hotel relations teams, as well as production costs for our TV spots and other marketing material, and other professional fees such as market research costs.

	Year ended December 31,		% Change
(in millions)	**2019**	**2020**	**2020 vs 2019**
Advertising expense	**€ 616.7**	**€ 150.0**	**(75.7)%**
% of total revenue	73.5%	60.3%	
Other selling and marketing	**44.3**	**26.7**	**(39.7)%**
% of total revenue	5.3%	10.7%	
Share-based compensation	**2.3**	**0.9**	**(60.9)%**
% of total revenue	0.3%	0.4%	
Total selling and marketing expense	**€ 663.3**	**€ 177.6**	**(73.2)%**
% of total revenue	79.1%	71.4%	

Selling and marketing expenses for the year ended December 31, 2020 decreased by €485.7 million, or 73.2%, compared to the year ended December 31, 2019, primarily driven by significant reductions in Advertising Spend across all segments due to the COVID-19 pandemic.

Advertising Spend decreased by €466.7 million or 75.7% in the year ended December 31, 2020 compared to the year ended December 31, 2019.

In reaction to the COVID-19 pandemic, we reduced our Advertising Spend significantly starting at the end of the first quarter of 2020. This reduction continued across all segments throughout 2020. During the summer months in Developed Europe where the COVID-19 pandemic was relatively muted, the reduction in our Advertising Spend was less pronounced as we took advantage of a slight recovery in travel demand in that segment.

We reduced our Advertising Spend to €57.0 million, €60.8 million and €32.2 million in Americas, Developed Europe and RoW, respectively, compared to €233.9 million, €230.3 million and €152.5 million, respectively, in the year ended December 31, 2019.

Other selling and marketing expenses excluding share-based compensation for the year ended December 31, 2020 decreased by €17.6 million, or 39.7%, compared to the year ended December 31, 2019, primarily driven by €8.5 million in reduced television advertisement production costs, and by lower professional fees and other expenses.

Professional fees and other expenses for the year ended December 31, 2020 decreased by €5.2 million, or 39.7%, compared to the same period in 2019, mainly driven by lower office-related expenses (see *"3.2.4.6. Costs across multiple categories"* below), reduced marketing analytic costs, decreased personnel-related costs and lower depreciation expense. Additionally, we incurred lower digital sales taxes due to the decrease in Referral Revenue caused by the COVID-19 pandemic.

Personnel expenses for the year ended December 31, 2020 decreased by €3.9 million, or 20.6%, mainly due to lower headcount. This was slightly offset by restructuring costs incurred in the year ended December 31, 2020 (see *"3.2.4.6. Costs across multiple categories"* below).

Share-based compensation decreased by €1.4 million, or 60.9% in the year ended December 31, 2020 compared to the year ended December 31, 2019, which was 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 millions)	**2019**	**2020**	**2020 vs 2019**
Personnel	€ 37.0	€ 36.2	(2.2)%
Share-based compensation	5.9	2.9	(50.8)%
Depreciation of technology assets	9.8	10.7	9.2 %
Professional fees and other	16.3	12.5	(23.3)%
Total technology and content	**€ 69.0**	**€ 62.3**	**(9.7)%**
% of total revenue	8.2%	25.0%	

Technology and content expense for the year ended December 31, 2020 decreased by €6.7 million, or 9.7%, compared to the year ended December 31, 2019, mainly due to lower professional fees and other expenses and lower share-based compensation.

Professional fees and other expenses decreased by €3.8 million, or 23.3%, mainly due to a €1.8 million decrease in office-related expenses (see *3.2.4.6. Costs across multiple categories* below), a €1.6 million reduction in personnel-related costs mainly due to lower employee benefits and a €1.4 million decrease in external content development costs. These decreases were partly offset by higher third-party IT service provider costs and capitalized software depreciation due to a larger underlying asset.

Share-based compensation decreased by €3.0 million, or 50.8%, for the year ended December 31, 2020, which was mainly driven by award forfeitures partly offset by new grants during the year.

Personnel expenses for the year ended December 31, 2020 decreased by €0.8 million, or 2.2%, mainly due to lower headcount and increased capitalization of our developers' salaries. This was partly offset by restructuring costs incurred in the year ended December 31, 2020 (see *3.2.4.6. Costs across multiple categories* below).

3.2.4.5. General and administrative

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

	Year ended December 31,				% Change
(in millions)		**2019**		**2020**	**2020 vs 2019**
Personnel	€	16.9	€	15.5	(8.3)%
Share-based compensation		8.9		11.8	32.6 %
Professional fees and other		26.8		15.0	(44.0)%
Total general and administrative	**€**	**52.6**	**€**	**42.3**	**(19.6)%**
% of total revenue		6.3%		17.0%	

General and administrative expense for the year ended December 31, 2020 decreased by €10.3 million, or 19.6%, compared to the year ended December 31, 2019, primarily due to a decrease in professional fees and other expenses of €11.8 million, or 44.0%. The decrease resulted mainly from a legal provision recognized in the fourth quarter of 2019, as well as lower consulting expenses compared to the same period in 2019. The decrease was further driven by lower office-related expenses (see *"3.2.4.6. Costs across multiple categories"* below), a reduction in personnel-related costs mainly due to lower employee benefits and lower charitable contributions. These were partly offset by the impact of a cyber-related fraud case, which occurred in the first quarter of 2020.

Share-based compensation increased by €2.9 million, or 32.6%, for the year ended December 31, 2020, which was mainly driven new grants partly offset by award forfeitures during the year.

Personnel expenses for the year ended December 31, 2020 decreased by €1.4 million, or 8.3%, primarily as a result of lower headcount. These were partly offset by restructuring costs incurred in the year ended December 31, 2020 (see *3.2.4.6. Costs across multiple categories* below).

3.2.4.6. Costs across multiple categories

In connection with our restructuring activities, we incurred charges of €6.4 million in the year ended December 31, 2020, primarily consisting of severance and benefits charges. Charges recorded in technology and content expense were €3.0 million,€1.8 million in selling and marketing expense and €1.6 million in general and administrative expense. See *Note 4.6. Personnel expenses - Restructuring* for further details.

Office-related expenses decreased by €3.5 million in the year ended December 31, 2020, compared to the year ended December 31, 2019, as we terminated unused office space leases in November 2019 and consolidated our office locations in 2020 as part of our restructuring initiatives.

In addition, trivago reduced employee benefits and events due to the COVID-19 pandemic in the year ended December 31, 2020, leading to reductions in personnel-related costs.

As result of the above explained office-related expenses and employee benefits costs decreases, technology and content expense decreased by €3.4 million, selling and marketing expense by €1.6 million and general and administrative expense by €1.5 million in the year ended December 31, 2020, compared to the year ended December 31, 2019.

3.2.4.7. Operating income (loss)

Our operating loss was €43.6 million for the year ended December 31, 2020 compared to operating income of €44.1 million for the year ended December 31, 2019. The decline was mainly driven by a sharp decline in Referral Revenue due to the COVID-19 pandemic for the year ended December 31, 2020. Our operating loss was partly offset by reductions in operating expenses by €502.8 million, compared to the year ended December 31, 2019, mostly attributable to lower Advertising Spend, to the restructuring of our organization and to lower professional fees and production costs for television advertisement.

3.2.4.8. Finance expense

Our finance expense remained stable at €3.9 million for the year ended December 31, 2020, compared to the year ended December 31, 2019.

3.2.4.9. Expense (benefit) for income taxes

The income tax expense/(benefit) is mainly driven by income/(loss) before income taxes of €(48.3) million in 2020 and €40.7 million in 2019. Our effective tax rate was 18.4% in 2020 compared to 51.3% in 2019. 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. It is difficult to forecast the seasonality for future periods, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of any sustained recovery.

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 had interest at a rate of LIBOR, floored at zero, plus 1.0% per annum. 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, 2020. The credit facility was cancelled by the lender in early 2021.

For the year ended December 31, 2020, total cash, cash equivalents and restricted cash decreased by €9.8 million to €208.4 million. The decrease in total cash, cash equivalents and restricted cash was mainly driven by the negative cash flows from investing activities, partly offset by positive cash flows provided by operating activities.

Our known material liquidity needs for periods beyond the next twelve months are described below in "9. Commitments and Contingencies". We believe that our cash from operations, together with our cash balance are sufficient to meet our ongoing capital expenditures, working capital requirements and other capital needs for at least the next twelve months.

The following table summarizes our cash flows for the years ended December 31, 2019 and 2020:

(in millions)	Year ended December 31, 2019	2020
Cash flows provided from operating activities	€ 83.2	€ 13.3
Cash flows used in investing activities	(18.1)	(16.1)
Cash flows used in financing activities	(8.9)	(5.6)

3.2.6.1 Net Cash Flows From Operating Activities

For the year ended December 31, 2020, net cash from operating activities decreased by €69.9 million to €13.3 million. In the year ended December 31, 2020, net cash from operating activities was mainly driven by changes in operating assets and liabilities, partly offset by negative effects from net loss of €39.4 million, excluding non-cash expenses.

Changes in operating assets and liabilities resulted in an increase in cash and cash equivalents of €23.7 million primarily due to a decrease in accounts receivable of €53.7 million resulting from a sharp decline in revenue due to the COVID-19 pandemic in the year ended December 31, 2020. Accounts payable decreased by €26.6 million as our advertising spend in the fourth quarter of 2020 was significantly lower than in the fourth quarter of 2019, as a reaction to the COVID-19 pandemic.

Net cash from changes in operating assets and liabilities was partly offset by net loss excluding non-cash expenses of €9.9 million.

3.2.6.2 Net Cash Flows From Investing Activities

For the year ended December 31, 2020, cash used in investing activities decreased by €2.0 million to €16.1 million, primarily due to lower capital expenditures including internal-use software and website development, as well as lower purchase of investments. This was partly offset by the prepayment of pending business acquisition of Weekengo, see *Note 14. Events after the Reporting Date*.

3.2.6.3 Net Cash Flows From Financing Activities

For the year ended December 31, 2020, cash used in financing activities decreased by €3.4 million to €5.6 million, primarily due to a reduction in payments of the principal portion of lease liabilities.

3.2.7. Research and Development

We conduct research and development activities to continuously improve our product and are only capitalised if all the conditions stipulated in the applicable accounting standard are met.

Amortisation is recorded in technology and content of the consolidated statement of profit or loss in connection with capitalised research and development activities, which amounted to 3.1 mEUR and 3.8 mEUR for the years ended December 31, 2019 and December 31, 2020, respectively. Expenses related to research activities were insignificant for the years ended December 31, 2019 and December 31, 2020, respectively.

3.2.8. Employees

During the second quarter of 2020, we announced a restructuring of our organization in order to adjust to the new economic situation due to the COVID-19 pandemic. We decided to consolidate our office locations and to reduce our headcount significantly, in order to shape a leaner organization, enabling us to prepare for the expected market recovery and achieve our long-term profit recovery plan. We do not plan to materially change our headcount for the year ending December 31, 2021.

3.2.9. Investments

In 2021, we plan to continue to make investments, for example, in self-developed software.

3.3. Impact of COVID-19/Outlook

In the first quarter of 2021, travel to and within many countries, particularly in Europe, was heavily restricted, and as a result, our business and financial performance continued to be significantly adversely affected by the COVID-19 pandemic. Although the overall business environment remains challenging, we observed a positive trend in volumes throughout the first quarter of 2021, and have seen a significant improvement in the bidding dynamics in our auction recently in markets where travel demand has increased. We expect travel demand to gradually begin to recover across our Developed Europe segment during the second and third quarter of 2021 when most European countries are expected to make significant progress rolling out the COVID-19 vaccine.

The initial wave of travel is – similarly to last summer – concentrated around nature and leisure destinations. We expect travel patterns in the months to come, both in terms of accommodation-type and destination mix, to gradually become similar those prior to the COVID-19 pandemic. We believe intercontinental travel will likely remain muted for some time, and we expect city travel, a type of travel that has historically been one of our strengths, to recover in the second half of 2021 as cities gradually begin to open up for tourism again.

As we expect travel demand to gradually improve further over the months to come, we are planning to increase our brand marketing activities in the second quarter of 2021, which we expect will have an effect on our profitability, particularly in the second quarter of 2021.

Our ultimate financial performance will depend on a number of factors relating to the world's emergence from the COVID-19 pandemic, including rates of vaccination and the effectiveness of vaccinations against various mutations of the COVID-19 virus. Should global recovery from the pandemic proceed more slowly than we have assumed or suffer setbacks, our expectations are unlikely to be achieved. For more information on how the COVID-19 pandemic has affected the Company, see *3.2.3.1. COVID-19 Pandemic.*

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 and ongoing 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 the Securities Exchange Act of 1934, as amended, or 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, 2020. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2020, 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, 2020, 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 sufficiency of our cash balance to meet the Company's material liquidity needs 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 5, 2021, 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 4.2.7. 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.

- **The COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the travel industry and our business, financial performance and liquidity position. Due to the uncertain and rapidly evolving nature of current conditions around the world, we are unable to predict accurately the impact that the COVID-19 pandemic will have on our business going forward, including to what extent our largest advertisers will resume advertising on our platform in the future at levels similar to (or approaching) those preceding the pandemic. The COVID-19 pandemic may result in or accelerate long-term changes to consumer behavior and industry structure that may have a significant adverse effect on our future competitiveness and profitability.**
- **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 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. These factors contribute to significant period-to-period volatility in our financial condition and results of operations.**
- **As a result of the COVID-19 pandemic, we may in the future experience an impairment of goodwill.**
- **We are dependent on general economic conditions, and declines in travel or discretionary spending has reduced and in the future, 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 strategy could harm our business and negatively affect our financial condition and results of operations.**
- **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.**
- **If we are unable to implement our strategic plans successfully, we may be unable to achieve our objectives, or we may incur further losses, and our business, results of operations, financial condition and prospects may be materially and adversely affected.**
- **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.**
- **Several of our product features depend, in part, on our relationship with third parties to provide us with content.**
- **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.

- **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.**
- **The litigation in Australia could increase our expenses and will subject us to significant monetary penalties.**
- **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.**
- **We may experience difficulties in implementing new business and financial systems.**
- **Our brand is subject to reputational risks and impairment.**
- **We are subject to counterparty default risks.**
- **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.**
- **Our dual-class share structure with different voting rights, and certain provisions in an 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.**

4.2.2. Risks related to our industry and business

The COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the travel industry and our business, financial performance and liquidity position.

The COVID-19 pandemic has severely restricted the level of economic activity around the world and is having an unprecedented effect on the global travel industry. In response to the pandemic, the governments of many countries, states, cities and other geographic regions have implemented containment measures, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Individuals' ability to travel has been curtailed through border closures, mandated travel restrictions and limited operations of hotels and airlines and may be further limited through additional voluntary or mandated closures of travel-related businesses. The measures implemented to contain the COVID-19 pandemic have had, and are expected to continue to have, a significant negative effect on our business, financial condition, results of operations, cash flows and liquidity position.

Due to the uncertain and rapidly evolving nature of current conditions around the world, we are unable to predict accurately the impact that the COVID-19 pandemic will have on our business going forward, including to what extent our largest advertisers will resume advertising on our platform in the future at levels similar to (or approaching) those preceding the pandemic. The COVID-19 pandemic may result in or accelerate long-term changes to consumer behavior and industry structure that may have a significant adverse effect on our future competitiveness and profitability. These changes may relate to travelers' increased preference for destinations (e.g., those other than cities) or accommodation types that we have historically been less well able to monetize, our inability to deliver the same numbers of first-time users to our largest OTA advertisers or the fact that certain kinds of travel (e.g., business travel) may recover very slowly or not at all. The COVID-19 pandemic has already caused several of our smaller advertisers to file for insolvency, and it may cause additional consolidation in the online travel industry in the future, resulting in fewer offers available on our platform and less competition on our marketplace. The realization of any of these risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

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. We continue to generate the great majority of our revenue from our largest OTA advertisers, including brands affiliated with Booking Holdings, such as Booking.com and Agoda, and those affiliated with our majority shareholder, 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 or negative impacts on our liquidity position. We experienced a significant reduction in revenue in 2020 when advertisers reduced their spend on our platform or deactivated their campaigns entirely. Although we were eventually able to collect the great majority of outstanding account receivables that were at the time past due, we made significant payment concessions in the first quarter of 2020 for many of our advertisers, permitting them to extend payment dates or pay pursuant to installment plans. We would have experienced an increase in credit losses if such advertisers or affiliated brands ultimately had failed to pay us.

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 our advertisers on a basis they deem to be cost-effective. Any reduction in the value that we deliver to our advertisers may negatively affect 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. 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 also, in turn, negatively impact our revenue levels and profitability or increase the volatility on our marketplace. As we begin to offer our advertisers the option to participate in our marketplace on a cost-per-acquisition, or CPA, basis, we may be unable to monetize traffic at levels we have achieved in the past. In addition, our revenue may be subject to cancellation risk if our future CPA arrangements with our advertisers allocate this risk to us.

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.

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 2020 as a result of the COVID-19 pandemic. 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 in the past had, a sudden and significant adverse effect on our profitability and results of operations. Any resulting inability to meet financial guidance that we may communicate to the market in the future may have a material adverse effect on our business, results of operations, financial condition and prospects.

As a result of the COVID-19 pandemic, we may in the future experience an impairment of goodwill.

As a result of the continued deterioration of our business due to the COVID-19 outbreak, we may need to record impairment charges in the future due to the long-term economic or financial impacts of the COVID-19 pandemic.

We are dependent on general economic conditions, and declines in travel or discretionary spending has reduced and in the future, 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, the COVID-19 pandemic and the resulting economic conditions, regulatory restrictions and voluntary precautionary measures have resulted in a material decrease in consumer spending and an unprecedented decline in travel activities and consumer demand for related services. Our financial results and prospects are almost entirely dependent on the sale of accommodation-related services by our advertisers. Other 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), direct or indirect taxes, fuel prices or other costs of living, may also 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 future 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 in our financial results.

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 strategy 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 have been 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, we have significantly reduced advertising budgets as a result of the COVID-19 pandemic and have seen our competitors do the same. Once we eventually resume significant marketing activities (particularly on TV), it is difficult for us to predict our future marginal returns on Advertising Spend. In the future, our competitors may increase their spending on advertisement campaigns to improve their brand awareness after a period of being offline during the COVID-19 pandemic, which could make it difficult for us to increase or maintain our own marginal returns on our advertisements. We may face this difficulty 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 has historically accounted 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 eventually invest again 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. We have historically placed orders for TV advertising in advance of the campaign season. In the event travel demand is lower than we anticipated at the time we booked that advertising, we may suffer losses if we are unable to cut planned spending, as was the case when we were unable to pull back Advertising Spend quickly enough in the second quarter of 2017. Although our losses relating to advertising commitments were relatively small during the COVID-19 pandemic because we were able to renegotiate commitments, we may in the future be unsuccessful with this or an alternative approach, which could, in turn, result in material losses.

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. We believe the COVID-19 pandemic has accelerated the shift from linear TV to digital formats and expect this trend to continue beyond the COVID-19 pandemic. 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.

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 in recent periods 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. In addition, the competitive structure of the online travel industry may change significantly as a result of the COVID-19 pandemic, which may make it difficult to regain our pre-pandemic market share. 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.

If we are unable to implement our strategic plans successfully, we may be unable to achieve our objectives, or we may incur further losses, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

We updated our mission “to be your companion to experience our world” and have begun to explore potential ways we can expand our value proposition beyond our historical focus on accommodation search. For example, we have begun partnering with other online travel companies to test price comparison offerings across non-accommodation travel verticals (e.g., flights, car rentals and activities). We have also been expanding our product towards a more inspirational value proposition, targeting users who are undecided with regards to the specifics of planned travel or who may not have contemplated a trip in the first place.

Many of our competitors, including the large OTAs, have substantially more experience with respect to offering flights, car rentals and activities and have access to more content to promote user interaction with an inspirational product. If our efforts to integrate additional verticals into our website and to create more inspirational content are unsuccessful, or if our competitors can provide more attractive advertising terms to potential advertisers or more attractive content to users, we may be unable to provide as broad a set of search results or as interesting content to our users as our competitors are able to provide. In addition, we may be unable to monetize flights, car rentals and activities successfully or to the same degree as our competitors. We may also be unsuccessful in transforming general interest in inspirational travel content into interactions with our website that we are ultimately able to monetize. The materialization of any of these risks may have a material adverse effect on our 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, which may occur at increasing levels because of the COVID-19 pandemic, 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. 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.

Several of our product features depend, in part, on our relationship with third parties to provide us with content.

We currently license and incorporate into our websites content from third parties. As we continue to introduce new services that incorporate new content, we may be required to license additional content. We cannot be sure that such technology will be available on commercially reasonable terms, if at all. In particular, certain third parties provide us with consumer reviews that we provide to our users along with our proprietary rating score. If any of our 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 the implementation of our strategic initiatives, users' perception of the value of our product and our reputation.

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 addition, if search engines, especially smaller players, decline in popularity, we may see adverse impacts as they provide us with fewer relevant leads or even shut down their services completely, resulting in even less competition in general search.

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 display, email and affiliate advertising 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. On November 4, 2020, the Australian Federal Court dismissed trivago's appeal. A separate trial regarding penalties and other orders is scheduled for October 18, 2021.

In establishing a provision in respect of the ACCC matter, management took into account the information currently available, including judicial precedents. 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. Only a few cases have been decided so far assessing penalties for contraventions of the ACL under the new regime. The penalties imposed in those cases were jointly agreed by the parties and were not the subject of a contested penalty hearing. In addition, the Australian Federal Court in each case did not allocate the total penalty imposed between the old and new penalty 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.

A number of regulatory authorities in Europe (including the UK Competition and Markets Authority, or "CMA"), Australia, and elsewhere have initiated litigation and/or market studies, inquiries or investigations relating to online marketplaces and how information is presented to consumers using those marketplaces, including practices such as search results rankings and algorithms, discount claims, disclosure of charges, and availability and similar messaging. For example, in 2018, the 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. Since then, two purported class actions have been filed in Israel and Ontario, Canada, making allegations about our advertising and/or display practices broadly similar to aspects of the case presented by the ACCC. These cases are still in their early stages. 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. In this context, we note that in a study into paid ranking which was published on February 2, 2021 the Netherlands Authority for Consumers and Markets (ACM) has found that paid ranking (or sponsored ranking) comes with risks for competition and consumers. This and possible future related studies and inquiries may adversely affect the way trivago monetizes its offers on its sites.

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, following the expiry of the EU-UK Withdrawal Agreement on December 31, 2020, there is uncertainty regarding the extent to which future 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, personal data or confidential information from users of our websites and apps and from advertisers and share this with third parties. 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, personal data 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 introduced 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 and contracted third party processors receive and store certain personally identifiable information and/or personal data, including credit card information. We currently receive and store certain personally identifiable information and/or personal data in the form of booking and reservation data from advertisers. 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. The laws, rules, and regulations regarding cross-border transfers of personal data, including laws relating to transfer of personal data outside the EU are rapidly evolving and likely to remain uncertain for the foreseeable future. Recent legal developments in the EU have created complexity and uncertainty regarding transfers of personal data from the EU to the United States and other jurisdictions. For example, on July 16, 2020, the European Court of Justice, or CJEU, invalidated the EU-U.S. Privacy Shield framework, or Privacy Shield, which provided companies with a mechanism to comply with data protection requirements when transferring personal data from the EU to the United States. The same decision also cast doubt on the ability to use one of the primary alternatives to the EU-U.S. Privacy Shield framework, namely, the European Commission's Standard Contractual Clauses, to lawfully transfer personal data from Europe to the United States and most other countries. At present, there are few if any viable alternatives to the Privacy Shield Frameworks and the Standard Contractual Clauses for the foregoing purposes.

Government regulation of privacy and data security is typically intended to protect the privacy of personally identifiable information and/or personal data that is collected, processed and transmitted in or from the governing jurisdiction. Since we collect, process and transmit personally identifiable information and/or personal data 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 also be exposed to civil litigation including claims for damages and other adverse consequences. We may incur substantial further expenses 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. Further, the United Kingdom's exit from the European Union has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, while the Data Protection Act of 2018, which implements and complements the GDPR achieved Royal Assent on May 23, 2018 is now effective in the United Kingdom alongside a UK only adaptation of the GDPR which took effect on January 1, 2021, it is still unclear whether transfer of data from the EU to the United Kingdom will remain lawful under the GDPR without additional safeguards. 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. 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 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 (such as possibly requiring browsers to block access and use of device data and storage by default) 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 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, and Hong Kong, while also leveraging cloud-hosted services. We either lease or own our servers and have service agreements with data center providers. Additionally, we are becoming increasingly reliant upon external providers, including Amazon Web Services and Google Cloud Platform, to provide us with cloud computing infrastructure. Any disruption to our use of services furnished by these providers or an unanticipated increase in costs from using those services could negatively impact our business operations. 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, 2018, 2019 or 2020, 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 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. The COVID-19 pandemic has had a significant negative impact on our global business volumes in 2020. 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 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. For example, we experienced negative impacts from foreign exchange rate effects, in particular due to the relative weakening of the U.S. dollar and certain currencies in Latin America to the euro in 2020. 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. We have also implemented remote working for our employees during COVID-19 pandemic and plan to permit employees flexibility in this regard going forward. Our remote working arrangements may result in a less cohesive corporate culture, thereby negatively affecting our operations. In addition, our competitors may offer more operational autonomy and flexibility in regard to remote work, which may, in turn, make it difficult for us to retain and motivate our employees. The realization of any of these risks 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 and other technology professionals who are key to designing code and algorithms necessary to our business. In 2020, we implemented significant headcount reductions. This reduction in workforce has resulted in the loss of institutional knowledge, relationships or expertise for critical roles. This reduction could also have a negative impact on employee morale and productivity, make it more difficult to retain valuable key employees, divert attention from operating our business, create personnel capacity constraints and hamper our ability to grow, develop innovative products and compete, any of which could impede our ability to operate or meet strategic objectives. As travel recovers from the COVID-19 pandemic, we may need to hire qualified individuals, which is typically a time-consuming process. 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. We compete with companies that have far greater financial resources than we do as well as companies that promise short-term growth opportunities and/or other benefits. These companies may be able to provide attractive offers to employees in critical roles who have gained valuable and marketable experience in our flat organizational structure. If we do not succeed in attracting well-qualified employees, or retaining or motivating existing employees, including senior management, our business would be adversely affected. The loss of the services of any key individual could negatively affect our business.

The amended and restated shareholders' agreement entered into by travel B.V. (which subsequently converted into trivago N.V.), trivago GmbH (which subsequently merged into and with trivago N.V.), 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 initial public offering 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.

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

We have made small strategic acquisitions in the past and recently acquired weekengo GmbH ("Weekengo"), which operates the online travel search website “weekend.com” and specializes in optimizing the delivery of search results for direct flights and hotel packages with a short-trip focus. 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 acquisitions such as that of Weekengo 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 timeliness 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. 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, 2020, Expedia Group owned Class B shares representing 59.0% of our issued share capital and 68.8% of the voting power in us. As long as Expedia Group owns a majority of the voting power in us, and pursuant to certain rights it has under the Amended and Restated Shareholders' Agreement, Expedia Group will be able to control many corporate actions that require a shareholder vote.

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

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

Pursuant to the Amended and Restated Shareholder's Agreement, the Founders have contractual rights to exert control over certain aspects of our business. For example, 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. In addition, certain characteristics of the Internet, in particular the anonymity it may allow some actors, may make the protection and enforcement of our intellectual property difficult and in some cases, even impossible. 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, 2020, Expedia Group owned Class B shares representing 59.0% of our share capital and 68.8% of the voting power in us, and the Founders owned Class B shares representing 25.2% of our share capital and 29.4% 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, directive (EU) 2019/1023 of the European Parliament and of the Council of June 20, 2019 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 our 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. In addition, a bill is pending in Dutch Senate which, if enacted in its current form, would introduce a statutory cooling-off period of up to 250 days during which the general meeting of shareholders would not be able to dismiss, suspend or appoint members of the management board or supervisory board (or amend the provisions in the articles of association dealing with those matters) unless those matters would be proposed by the management board. This could occur, for example, if a public offer for trivago is made or announced without trivago's support, provided that the management board believes that such proposal or offer materially conflicts with the interests of trivago and its business.

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

We are organized and existing under the laws of the Netherlands, and, as such, under Dutch private international law rules the rights of our shareholders and the civil liability of our directors and executive officers are governed in certain respects by the laws of the Netherlands. Most members of our management board and supervisory board are non-residents of the United States. The ability of our shareholders in certain countries other than the Netherlands to bring an action against us, our directors and executive officers may be limited under applicable law. In addition, substantially all of our assets are located outside the United States.

As a result, it may not be possible for shareholders to effect service of process within the United States upon us or our directors and executive officers or to enforce judgments against us or them in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, it is not clear whether a Dutch court would impose civil liability on us or any of our directors and executive officers in an original action based solely upon the federal securities laws of the United States brought in a court of competent jurisdiction in the Netherlands.

As of the date of this annual report, the United States and the Netherlands do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. With respect to choice of court agreements in civil or commercial matters, it is noted that the Hague

Convention on Choice of Court Agreements entered into force for the Netherlands, but has not entered into force for the United States. Accordingly, a judgment rendered by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized and enforced by the competent Dutch courts. However, if a person has obtained a judgment rendered by a court in the United States that is enforceable under the laws of the United States and files a claim with the competent Dutch court, the Dutch court will in principle give binding effect to a foreign judgment if (i) the jurisdiction of the foreign court was based on a ground of jurisdiction that is generally acceptable according to international standards, (ii) the judgment by the foreign court was rendered in legal proceedings that comply with the Dutch standards of proper administration of justice including sufficient safeguards (*behoorlijke rechtspleging*), (iii) binding effect of such foreign judgment is not contrary to Dutch public order (*openbare orde*) and (iv) the judgment by the foreign court is not incompatible with a decision rendered between the same parties by a Dutch court, or with a previous decision rendered between the same parties by a foreign court in a dispute that concerns the same subject and is based on the same cause, provided that the previous decision qualifies for recognition in the Netherlands. Even if such a foreign judgement is given binding effect, a claim based thereon may, however, still be rejected if the foreign judgment is not or no longer formally enforceable. 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 lack of a treaty as described above, U.S. investors may not be able to enforce against us or our directors, representatives or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

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

As a foreign private issuer whose ADSs are listed on Nasdaq, we are permitted to follow certain home country corporate governance practices pursuant to exemptions under Nasdaq rules. A foreign private issuer must disclose in its annual reports filed with the SEC each requirement under Nasdaq rules with which it does not comply, followed by a description of its applicable home country practice. Our Dutch home country practices may afford less protection to holders of our ADSs. We follow in certain cases our home country practices and rely on certain exemptions provided by Nasdaq rules to foreign private issuers, including, among others, an exemption from the requirement to hold an annual meeting of shareholders no later than one year after an issuer's fiscal year end, exemptions from the requirement that a board of directors be comprised of a majority of independent directors, exemptions from the requirements that an issuer's compensation committee should be comprised solely of independent directors, and exemptions from the requirement that share incentive plans be approved by shareholders. See "*5. Corporate Governance*" for more information on the significant differences between our corporate governance practices and those followed by U.S. companies under Nasdaq rules. As a result of our reliance on the corporate governance exemptions available to foreign private issuers, you will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements.

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

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 have had, 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. As an entity incorporated under Dutch law, however, we also qualify as a tax resident of the Netherlands under Dutch national tax laws. However, given that substantially all of our operations (along with all employees, management board members 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 applicable tax laws, tax treaties or interpretations thereof 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 the circumstances, rather than a question of law, which facts and degree may also change. Changes to applicable tax laws, tax treaties or interpretations thereof and changes to applicable facts and circumstances (e.g., a change of board members or the place where board meetings take place), or changes to applicable income tax treaties, including a change to the MLI tie-breaker reservation, may result in our also becoming a tax resident of the Netherlands or another jurisdiction (other than Germany), potentially also triggering an exit tax liability in Germany. As a consequence, our overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on our business, results of operations, financial condition and prospects, which could cause our ADS price and trading volume to decline.

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

The application of various national and international income and non-income tax laws, rules and regulations to our historical and new services is subject to interpretation by the applicable taxing authorities. These taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenue. This has contributed to an increase in 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 2020, 95 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 95 jurisdictions, 60 have also ratified the MLI. Germany has ratified the MLI in December 2020 and it will enter into force in April 2021. 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, 2020 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, 2020 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 ever pay dividends, we may need to withhold tax on such dividends payable to holders of our ADSs in both Germany and the Netherlands.

We do not intend to pay any dividends to holders of ADSs. However, if we do pay dividends, we may need to withhold tax on such dividends both in Germany and the Netherlands. As an entity incorporated under Dutch law, any dividends distributed by us are subject to Dutch dividend withholding tax on the basis of Dutch domestic law. However, on the basis of the double tax treaty between Germany and the Netherlands, the Netherlands will be restricted in imposing these taxes if we continue to be a tax resident of Germany and our place of effective management is in Germany. However, Dutch dividend withholding tax is still 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, upon a payment of dividends, 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 in the Netherlands 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 determined, withholding of both German and Dutch dividend tax from such dividend may occur upon a payment of dividends.

Furthermore, the withholding tax restriction referred to above is based on the current reservation made by Germany under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "MLI") with respect to the tie-breaker provision included in Article 4(3) of the double tax treaty between Germany and the Netherlands (the "MLI tie-breaker reservation"). If Germany changes its MLI tie-breaker reservation, we will not be entitled to any benefits of the double tax treaty between Germany and the Netherlands, including the withholding tax restriction, as long as Germany and the Netherlands do not reach an agreement on our tax residency for purposes of the double tax treaty between Germany and the Netherlands, except to the extent and in such manner as may be agreed upon by the authorities. As a result, any dividends distributed by us during the period no such agreement has been reached between Germany and the Netherlands, may be subject to withholding tax both in Germany and the Netherlands.

4.2.7. General risk factors

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

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

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

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

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

Sales of a substantial number of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the price of our ADSs and could impair our ability to raise capital through the sale of additional ADSs. Our Founders continue to hold a significant shareholding in us, and one of them has made significant sales of ADSs in recent years. Our Founders may conduct further significant sales of ADSs in the future. The ADSs are freely tradable without restriction under the Securities Act of 1933, as amended, or the Securities Act, except for any of our ADSs that may be held or acquired by our management board members, supervisory board members, executive officers and other affiliates, as that term is defined in the Securities Act or ADSs sold in transactions not subject to the registration requirements of the Securities Act, which will in each case be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

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

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

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

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

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;
- 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.

5. Corporate Governance

5.1. Dutch Corporate Governance Code

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) on the one hand and the contribution of such compensation to long-term value creation and the underlying performance on the other hand. 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

Name	Age	Position
Axel Hefer	44	Managing Director for Legal, Marketing, Marketplace, People and Culture (Chief Executive Officer)
James Carter	35	Managing Director for Product and Technology (Chief Product and Technology Officer)
Matthias Tillmann	37	Managing Director for Finance and Creative Production (Chief Financial Officer)

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.

James Carter currently serves as our chief product and technology officer and was initially appointed as a managing director in 2020. He also serves as a member of the supervisory board of Peakwork AG. Prior to joining trivago, Mr. Carter held the title of Engineering Director at Google, responsible for the Boston engineering team working on Google's Hotel Ads product.

Matthias Tillmann currently serves as chief financial officer of the company and was initially appointed as managing director in 2020. Mr. 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 2020

- On June 30, 2020, Johannes Thomas, the former managing director for Advertiser Relations, did not stand for reelection at our annual general meeting of shareholders.
- On June 30, 2020, Matthias Tillmann and James Carter were appointed as managing directors at our annual general meeting of shareholders with a term expiring at our annual general meeting to be held in 2023.

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	50	M	USA	June 8, 2018	2021 AGM	100%
Eric Hart	45	M	USA	**	—	—
Peter M. Kern (Chairman)	54	M	USA	December 16, 2016	2022 AGM	100%
Hiren Mankodi	48	M	USA	June 28, 2019	2022 AGM	86%
Frédéric Mazzella	45	M	French	December 8, 2016	2022 AGM	100%
Niklas Östberg	41	M	Swedish	December 8, 2016	2022 AGM	100%
Rolf Schrömgens*	45	M	German	Decmber 31, 2019	—	—

**On October 22, 2020, the Supervisory Board extended Rolf Schrömgens' term on the Supervisory Board. He was designated a temporary member of Supervisory Board effective upon the expiration of his prior term on December 31, 2020 until our next general meeting of shareholders. For more information, see 5.6.1. Changes to our supervisory board below.*

*** On February 25, 2021, Eric Hart was designated as temporary member of our supervisory board, pending his appointment at our general meeting of shareholders in 2021. For more information, see 5.6.1. Changes to our supervisory board below.*

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

Robert J. Dzielak has served as Expedia Group's Chief Legal Officer and Secretary since March 2018, previously serving as its Executive Vice President, General Counsel and Secretary since April 2012. Mr. Dzielak had previously served as Senior Vice President and acting General Counsel since October 2011. Since joining the 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.

Eric M. Hart has served as the Chief Financial Officer of Expedia Group since April 2020, overseeing Expedia Group's accounting, financial reporting and analysis, investor relations, treasury, internal audit, tax, and real estate teams. Mr. Hart had served as acting Chief Financial Officer since the departure of the former Chief Financial Officer in December of 2019. Mr. Hart has also served as Expedia Group's Chief Strategy Officer since November 1, 2019 with responsibility for Expedia Group's strategy and business development, as well as global M&A and investments. Prior to assuming the Chief Strategy Officer position, Mr. Hart served as the General Manager of Expedia Group's CarRentals.com brand for nearly three years. Prior to that, he oversaw corporate strategy for the Expedia Group, leading some of Expedia Group's largest acquisitions. Before joining Expedia Group, Mr. Hart spent time as a Vice President at Lake Capital, as a Project Leader at Boston Consulting Group, and as a Consultant at Accenture. Mr. Hart holds a bachelor's degree from Georgia State University and a Master's in Business Administration from University of Chicago Booth School of Business.

Peter M. Kern has been a director of Expedia Group since completion of the IAC/Expedia Group spin-off, has served as Vice Chairman of Expedia Group since June 2018, and has served as Chief Executive Officer of Expedia Group since April 2020. 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. In addition to serving as the Chairman of the Supervisory Board of trivago N.V., 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 on the boards of several 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 2020

- On June 30, 2020, Ariane Gorin was appointed to our supervisory board with a term expiring at our annual general meeting to be held in 2023 and Rolf Schrömgens was appointed with a term expiring on December 31, 2020. Ms. Gorin and Mr. Schrömgens were initially designated as temporary members of the supervisory board in 2019.
- On October 22, 2020, the Supervisory Board extended Mr. Schrömgens' term on the Supervisory Board effective upon the expiration of his prior term on December 31, 2020 until our general meeting of shareholders to be held in 2021. Upon the expiration of his term on December 31, 2020, Schrömgens was designated as temporary member of the Supervisory Board, and as a result, will continue to have all powers and responsibilities of a Supervisory Board member, as if he had been reappointed by the general meeting of shareholders.
- On February 25, 2021, Ariane Gorin resigned from our supervisory board and compensation committee. On the same date, the supervisory board designated Eric Hart as temporary member of our supervisory board, pending his appointment at our general meeting of shareholders in 2021, and appointed him to our compensation committee. Upon his designation as temporary member of the supervisory board, Mr. Hart has all powers and responsibilities of a supervisory board member, as if he had been appointed at 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 Mr. Hart. For more information on our corporate governance structure, see section *7. Related Party Disclosures*.

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 no female members.

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 seven members, including two temporary board members (pending appointments at the general meeting). Pursuant to the Amended and Restated Shareholders' Agreement, four supervisory board members were selected by Expedia Group (through ELPS) and three supervisory board members were selected by the Founders. Each supervisory board member (other than the temporary members) was appointed for a term of three years.

Our current supervisory board members (other than Mr. Schrömgens who was reappointed as a temporary member upon the expiration of his prior term on December 31, 2020 and Mr. Hart who was appointed as a temporary member in 2021) were appointed at our general meetings 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 six times in 2020 and discussed, among other topics, the impact of the COVID-19 pandemic on the Company's strategy, financial condition and prospects and the Company's financial results and public disclosures.

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, 2020, 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 (75 % attendance)
Frédéric Mazzella	N/A	X (88 % attendance)
Bob Dzielak**	X (100 % attendance)	N/A
Ariane Gorin***	X (100 % attendance)	N/A

** Chairman of the Audit Committee*

*** Chairman of the Compensation Committee*

**** Ceased to be a member of the Compensation Committee on February 25, 2021.*

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.

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 eight 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 Mr. Hart, 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 four 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 and drive sustainable business performance. We have mandated an external compensation specialist to 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 (e.g., technology and online travel). While we have targeted total compensation amounts for senior management comparable to those of similarly situated companies, in 2020, we have compensated our senior management to a greater extent with performance-based equity grants, based on performance targets (e.g., a particular stock price or stock price improvement). We have opted to focus on this type of compensation to incentivize our management's value contribution to our business and to promote long-term value creation. Base salaries for our senior management were therefore a relatively smaller component of total compensation and were lower than base salaries of senior management at many our peers, reflecting our belief that this mix of compensation incentivizes our management's performance and promotes intrinsic motivation. Bonus payments for our senior management are determined with respect to a given year based on primarily qualitative goals. For the purpose of determining the bonus amounts and compensation more generally, our supervisory board and compensation committee conduct an individualized analysis of each member of senior management and measure the performance of senior management with reference to alignment with our goals, the business impact of senior management on those goal and the team building capabilities of senior management. The base salary, any bonus payments and any equity award compensation are proposed by the CEO to our compensation committee. The proposal is then discussed (and amended, if needed) by the committee. The amount of compensation of the management board and those reporting to the CEO is then determined at the discretion of our supervisory board.

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 *2.4.9. 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.

6.2. 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 2020, 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 2020.

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 bore interest at a rate of LIBOR plus 1.0% per annum. Our obligations under this facility were 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, 2020. The credit facility was subsequently cancelled by the lender in early 2021; it was still in place for the year ending December 31, 2020.

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. In 2020, we and Expedia Partner Solutions ("EPS") entered into an additional agreement pursuant to which EPS powers our platform with a template (hotels.com for partners). For the years ended December 31, 2018, 2019 and 2020, Expedia Group and its brands in each of the years accounted for 36%, 34% and 27% of our total revenues,

7.7. 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*.

7.8. 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, €2.8 million and €1.1 million for the years ended December 31, 2018, 2019 and 2020, respectively, primarily consists of referral revenue. In December 2020, we entered into an agreement to sell our minority interest in myhotelshop to the majority shareholder of myhotelshop for a cash consideration of €70 thousand, with one of the closing conditions being that myhotelshop would repay the outstanding shareholder loan to us. For more information see *Note 9.2. Business combinations* to the audited consolidated financial statements included elsewhere in this annual report.

7.9. 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, 2020

trivago N.V.

trivago N.V.
Consolidated Statement of Profit or Loss
for the year ended December 31, 2020

in kEUR	Notes	2020	2019
Revenue from contracts with customers	4.1	248,921	838,617
Cost of sales	4.2	10,171	9,187
Gross profit		**238,750**	**829,430**
Selling and distribution expenses	4.3	177,563	663,316
Technology and content expenses	4.4	62,278	69,025
General and administrative expenses	4.5	42,316	52,567
Other operating expense/(income), net		210	429
Operating profit/(loss)		**(43,617)**	**44,093**
Finance expense	4.8	3,918	3,874
Share of profit/(loss) of an associate		(739)	453
Profit/(loss) before taxes		**(48,274)**	**40,672**
Income taxes expense/(income)	4.9	(8,907)	20,997
Profit/(loss) for the year		**(39,367)**	**19,675**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	4.10	(0.11)	0.06
Diluted, profit for the year attributable to ordinary equity holders of the parent	4.10	(0.11)	0.06

trivago N.V.
Consolidated Statement of Other Comprehensive Income or Loss
for the year ended December 31, 2020

in kEUR	Notes	2020	2019
Profit/(loss) for the year		**(39,367)**	**19,675**
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	(58)	151
Other comprehensive income/(loss) for the year (net of tax)		**(58)**	**151**
Total comprehensive income/(loss) for the year		**(39,425)**	**19,826**

trivago N.V.
Consolidated Statement of Financial Position
as at December 31, 2020

in kEUR	Notes	Year ended December 31, 2020	2019
Property, plant and equipment	5.2	19,220	24,758
Goodwill	5.1	3,187	3,495
Intangible assets	5.1	7,245	8,125
Right-of-use assets	5.10	84,410	95,572
Other assets	5.5	3,725	6,584
Deferred tax assets	4.9	11,782	3,349
Non-current assets		**129,569**	**141,883**
Trade receivables	5.3	10,176	36,201
Trade receivables, related parties	5.4	2,969	31,139
Short-term investments	6.0	19,448	10,000
Other assets	5.5	12,346	6,532
Income tax receivables	4.9, 5.5	7,839	8,565
Cash and cash equivalents	5.6	208,353	218,106
Current assets		**261,131**	**310,543**
Assets		**390,700**	**452,426**
Common stock A shares	5.7	3,358	3,049
Common stock B shares	5.7	178,913	181,013
Other capital reserves	5.7	119,904	102,250
Contribution from Parent	5.7	122,307	122,307
Retained earnings		(158,039)	(118,672)
Other comprehensive income	5.7	47	105
Total stockholder's equity		**266,490**	**290,052**
Lease liabilities	5.10	86,121	95,141
Other liabilities	5.9	501	1,041
Non-current liabilities		**86,622**	**96,182**
Lease liabilities	5.1	7,399	5,308
Trade payables	5.9	6,730	33,303
Income tax liabilities	4.9	2,973	3,406
Other liabilities	5.9	20,486	24,175
Current liabilities		**37,588**	**66,192**
Equity and liabilities		**390,700**	**452,426**

trivago N.V.
Consolidated Statement of Changes of Equity
for the year ended December 31, 2020

in kEUR	Notes	Common stock A shares	Common stock B shares	Other capital reserves	Contributio n from Parent	Retained earnings	ed other comprehen sive income	Total equity
January 1, 2019		**2,554**	**185,213**	**80,935**	**122,307**	**(138,347)**	**(46)**	**252,615**
Profit/(loss) for the year		—	—	—	—	19,675	—	19,675
Other comprehensive income (net of tax)		—	—	—	—	—	151	151
Issued capital, options exercised	8.0	75	—	127	—	—	—	202
Share-based compensation expense	8.0	—	—	17,408	—	—	—	17,408
Conversion of Class B shares	5.7	420	(4,200)	3,780	—	—	—	—
December 31, 2019		**3,049**	**181,013**	**102,250**	**122,307**	**(118,672)**	**105**	**290,052**
January 1, 2020		**3,049**	**181,013**	**102,250**	**122,307**	**(118,672)**	**105**	**290,052**
Profit/(loss) for the year		—	—	—	—	(39,367)	—	(39,367)
Other comprehensive income (net of tax)		—	—	—	—	—	(58)	(58)
Share-based compensation expense	8.0	—	—	15,776	—	—	—	15,776
Conversion of Class B shares	5.7	210	(2,100)	1,890	—	—	—	—
Issued capital, options exercised	8.0	99	—	(12)	—	—	—	87
December 31, 2020		**3,358**	**178,913**	**119,904**	**122,307**	**(158,039)**	**47**	**266,490**

trivago N.V.
Consolidated Statement of Cash Flows
for the year ended December 31, 2020

in kEUR	Notes	2020	2019
Cash flow from operating activities			
Profit/(loss) for the year		(39,367)	19,675
Adjustments to reconcile profit/(loss) to net cash flows:			
Finance expense	4.8	3,918	3,874
Deferred income taxes	4.9	(8,663)	1,933
Foreign exchange (gain)/loss	7.0	798	429
Bad debt (recovery)/expense		573	900
Depreciation of property, plant and equipment and right-of-use assets	5.2, 5.10	12,000	12,225
Amortization and impairment of intangible assets	5.1	4,954	4,681
Share-based payment expense	8.0	15,776	17,408
Share of profit of an associate		739	(453)
Gain on divestitures	2.0	(445)	—
Gain/(loss) on disposal of property, plant and equipment		150	2
Gain/(loss) from lease termination		(236)	—
Gain on settlement of asset retirement obligation		(102)	(209)
		(9,905)	60,465
Working capital adjustments:			
Change in Accounts receivable, including related party		53,733	24,615
Change in Other assets		(806)	3,731
Change in Accounts payable		(26,556)	172
Change in Accrued expenses and other liabilities		(3,418)	306
Change in Taxes payable/receivable, net		726	19,072
		23,679	47,896
Income tax paid		(484)	(25,171)
Net cash flows from operating activities		**13,290**	**83,190**
Cash flow from investing activities			
Purchase of property, plant and equipment	5.2	(1,185)	(2,981)
Purchase and development of intangible assets	5.1	(4,274)	(5,189)
Purchase of financial instruments	6.0	(8,850)	(10,000)
Prepayment for pending business acquisition	5.5	(3,038)	—
Proceeds from sale of business (net of cash sold)	2.0	556	—
Proceeds from the sale of property, plant and equipment and intangible assets	5.2	644	36
Net cash flows from investing activities		**(16,147)**	**(18,134)**
Cash flow from financing activities			
Payment of principal portion of lease liability	5.10	(1,851)	(5,234)
Interest paid	5.10	(3,857)	(3,883)
Proceeds from exercise of option awards	8.0	87	202
Net cash flows from financing activities		**(5,621)**	**(8,915)**
Net foreign exchange difference		(1,275)	94
Net increase in cash and cash equivalents		**(9,753)**	**56,235**
Cash and cash equivalents at beginning of the period		218,106	161,871
Cash and cash equivalents at end of the period	5.6	**208,353**	**218,106**

Notes to the Consolidated Financial Statements

1. General Information

1.1. Corporate Information

The corporate seat of trivago N.V. (formerly travel B.V.) ("trivago", the "trivago Group," the "Company," "us", "we" and "our") 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 the Expedia Group, Inc. (formerly Expedia, Inc.; the "Parent" or "Expedia Group").

trivago and its subsidiaries offers 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 generally 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.

As of December 31, 2020, Expedia's ownership interest and voting interest in trivago N.V. is 59.0% and 68.8%, respectively. The Class B shares of trivago N.V. held by Messrs. Schrömgens, Vinnemeier and Siewert (whom we collectively refer to as our Founders) as of December 31, 2020, had an ownership interest and voting interest of 25.2% and 29.4%, respectively.

The Supervisory Board approved the consolidated financial statements of 2020 at its meeting on May 27, 2021.

1.2 Basis of preparation

The consolidated financial statements of 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, 2020.

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),
- business combinations (Reference is made to Notes 2 and 14 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).

The COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the travel industry, which may have a significant adverse effect on our business and results of operations. The uncertainty associated with COVID-19 increased the level of judgement applied in our estimates and assumptions. Our estimates may change in future periods as a result of new events arising from the COVID-19 pandemic.

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, 2020. 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, 2020 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 Hong Kong Ltd.	Sales and Marketing	Hong Kong	100 %
trivago (Shanghai) Information Consulting Co. Ltd. (in liquidation)	Sales and Marketing	China	100 %
TGO (Thailand) Ltd.	Sales and Marketing	Thailand	100 %
trivago Service B.V. (in liquidation)	Corporate Administration	Netherlands	100 %
base7Germany GmbH	Software Development	Germany	100 %
Tell Charlie B.V. (in liquidation)	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, 2019 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 %
Stichting trivago Warehousing	Share Foundation	Netherlands	100 %

Balances and transactions with consolidated subsidiaries and any related income and expenses are eliminated in full in preparing the consolidated 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	
	12/31/2020	**12/31/2019**	**2020**	**2019**
U.S. dollar	1.2271	1.1216	1.1421	1.1196

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 less any accumulated impairment losses. Goodwill is subjected to an impairment test at a (group of) cash-generating units (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 CGUs 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 CGUs.

The impairment needs to be determined by comparing the recoverable amount of the CGUs to which goodwill refers with their carrying value. The recoverable amount of an asset or a CGU is the higher of fair value of the asset or CGU 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 assessments of the time value of money 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 multiples, quoted prices for publicly traded companies or other available indicators for fair value.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU 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 as of September 30.

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 CGU 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 selling and distribution costs, technology and content and general and administrative expenses . 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	3-8
Furniture and fixtures	straight line	3-8
Office equipment	straight line	3-8
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

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, 2020
Office space	straight line	Lesser of useful life or lease term	1 - 18 years
Office equipment	straight line	Lesser of useful life or lease term	1 - 3 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 included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be paid under residual value guarantees
- the exercise price of a purchase option reasonably certain to be exercised by trivago
- 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 ("IBR") 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.

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

(i) Recognition and initial measurement

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.

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.

(ii) Classification and subsequent measurement

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)

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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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, term deposits, 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated 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 consolidated 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 that do not meet the criteria for amortised cost or fair value through OCI are measured at fair value through profit or loss. This includes all derivative financial assets. 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. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated 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.

(iii) Derecognition

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 (ECL) 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). We consider accounts outstanding longer than the contractual payment terms as past due.

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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group assesses 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 consolidated 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 accessible by 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 consolidated 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 consolidated 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, checks and cash in hand and liquid financial instruments, consisting of money market funds, which are readily accessible mutual funds that invest in high-quality, short-term debt, and time deposit investments, which all have a high degree of liquidity and maturities of 3 months or less when purchased.

Short-term investments

Our short-term investments consist of time deposit and term deposit accounts with original maturities 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. When 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 consolidated 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

Share-based compensation expense relates to stock awards granted in connection with the Omnibus Incentive Plan, as further discussed in Note *8. Share-based Payment Plans.*

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 option pricing model or for awards which contain market-based vesting conditions, the Monte Carlo simulation pricing model. The expected volatility is based on historical volatility of our common stock. 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 conditions and, where applicable, the performance conditions are fulfilled (the vesting period). Certain awards granted contain market conditions which vest upon achievement of certain market-based targets, in addition to containing service conditions.

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 consolidated 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

We earn referral revenue using cost-per-click (CPC) and cost-per-acquisition ("CPA") models. Both relate to fees earned on the display of a customer‘s (advertiser‘s) link on the trivago website.

CPC revenue is recognized 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.

CPA revenue is recognized when the click-through to the related advertiser's website results in a booking, as control is deemed to have transferred at that point in time. We consider the performance obligation to be satisfied when the booking has occurred. The price that an advertiser pays for a click that results in a booking is based on a percentage of the booking revenue.

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 Business Studio Pro Apps Package 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 Business Studio Pro Apps Package.

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

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

a. 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b. 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 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of trivago Group's consolidated financial statements, and that are expected to have an impact on trivago Group's consolidated financial position or performance, are disclosure below. trivago Group has not early adopted these new or amended standards in preparing these consolidated financial statements and intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

– What is meant by a right to defer settlement
– That a right to defer must exist at the end of the reporting period
– That classification is unaffected by the likelihood that an entity will exercise its deferral right
– That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and must be applied retrospectively. As of December 31, 2020, these amendments are not expected to have a significant impact on trivago Group's consolidated financial statements.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued Amendments to I IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless that are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. As of December 31, 2020, there amendments are not expected to have a significant impact on trivago Group's consolidated financial statements.

Other standards

The following new and amended standards are not expected to have an impact on the trivago Group's consolidated financial statements.

– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) - effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment
– Reference to Conceptual Framework (Amendments to IFRS 3) - effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively
– IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts - effective for reporting periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17
– Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) - effective for reporting periods beginning on or after 1 January 2021
– Annual Improvements to IFRS Standards 2018-2020 - effective for annual reporting periods beginning on or after 1 January 2022
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - effective for annual reporting periods beginning on or after 1 January 2023
– Definition of Accounting Estimates (Amendments to IAS 8) - effective for annual reporting periods beginning on or after 1 January 2023
– Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) - effective for annual reporting periods beginning on or after 1 April 2021

1.5 Changes in accounting policies and disclosures

New and amended standards and interpretations

trivago Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. trivago Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of trivago Group, but may impact future periods should we enter into any business combinations.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any changes in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of trivago Group as we did not apply this practical expedient. On January 29, 2021, we entered into an amendment to the operating lease agreement for the office space in our corporate headquarters. The amendment will be treated as a lease modification as described in note "14 Events after reporting date" in the consolidated accounts.

Other Amendments and Interpretations Effective in 2020

The following new and amended standards applied for the first time in 2020 did not have an impact on the trivago Group's consolidated financial statements.

– Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
– Amendments to IAS 1 and IAS 8 Definition of Material
– Conceptual Framework for Financial Reporting issued on 29 March 2018

2. Business combinations

Acquisitions

No business combinations in 2019 or 2020.

Disposals

trivago Spain S.L.U. ("Palma") was a wholly-owned subsidiary of trivago. In the third quarter of 2020, we entered into an agreement to sell 100% of our shares in Palma to a third-party buyer for cash consideration of €1.3 million. The transaction closed in September 2020. As a result of the sale, we also recorded an impairment loss of €0.5 million on property and equipment for the year ended December 31, 2020, which was recognized within our operating expenses on our consolidated statement of profit and loss.

base7booking.com Sarl ("base7") is a wholly-owned subsidiary of trivago. In the fourth quarter of 2020, we entered into an agreement to sell substantially all assets of base7 to a third-party buyer for cash consideration of €0.8 million, subject to subsequent net working capital and subscription revenue adjustments. The transaction closed in November 2020. We recognized a gain on sale of €0.5 million in other operating expense/(income), net and derecognized €0.3 million of goodwill associated with the disposal group in the year ended December 31, 2020.

trivago owns 49.0% of myhotelshop GmbH ("myhotelshop"). This minority interest is recorded on the consolidated balance sheets as an equity method investment. In December 2020, we entered into an agreement to sell our minority interest in myhotelshop for a cash consideration of €70 thousand to its majority shareholder, who is not a related party to trivago. One of the closing conditions of the agreement was for myhotelshop to repay the outstanding shareholder loan to us. As of December 31, 2020, the outstanding loan and accrued interest of €1.0 million with myhotelshop had been fully repaid. The transaction had not closed as of December 31, 2020 as there were remaining closing conditions outstanding. Due to the imminent closing of the transaction, we recognized an impairment loss of €1.1 million based on the difference between the consideration and the carrying amount of the minority interest, and this amount has been included in share of profit of an associate for the year ended December 31, 2020. We consider myhotelshop a related party for the years ended December 31, 2019 and 2020.

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, with performance primarily being measured on Return on Advertising Spend ("ROAS"), which compares referral revenue to advertising spend. ROAS includes the allocation of revenue by operating segment 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 an 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

2020 in mEUR	**Developed Europe**	**Americas**	**Rest of World**	**Corporate and Eliminations**	**Total**
Referral sales	102.9	89.3	46.1	—	238.4
Other sales				10.6	10.6
Total sales	102.9	89.3	46.1	10.6	248.9
Advertising Spend	60.8	57.0	32.2	—	150.0
ROAS contribution	42.1	32.3	13.9	10.6	98.9

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	15.0
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

Note: Some figures may not add due to rounding.

In 2020, the trivago Group generated sales of 178.1 mEUR (prior year: 627.3 mEUR) from the top three key customers, representing approximately 72% (prior year: 75%) 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 (2020: 71.8 mEUR and 70%, 2019: 256.0 mEUR million and 74%)
- Americas (2020: 71.1 mEUR and 80%, 2019: 238.5 mEUR and 78%)
- Rest of World (2020: 35.2 mEUR and 76%, 2019: 132.3 mEUR and 77%)

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

Reconciliation of segment information

in mEUR	**2020**	**2019**
Referral sales	238.4	823.6
Other sales	10.6	15.0
Total sales	**248.9**	**838.6**
Advertising Spend	**150.0**	**616.7**
ROAS contribution	**98.9**	**221.9**
Cost of sales	10.2	9.2
Other selling and marketing	27.6	46.6
Technology and content	62.3	69.0
General and administrative expenses	42.3	52.6
Other operating income/(expense)	(0.2)	(0.4)
Operating profit/(loss)	**(43.6)**	**44.1**
Finance expense	3.9	3.9
Share of profit of an associate	(0.7)	0.5
Profit/(loss) before taxes	**(48.3)**	**40.7**
Income taxes	(8.9)	21.0
Profit/(loss) for the year	**(39.4)**	**19.7**

Note: Some figures may not add due to rounding.

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

in mEUR	**2020**	**2019**
Property, plant and equipment	19.2	24.8
Intangible assets	7.2	8.1
Right-of-use assets	84.5	95.6
Other assets	3.7	6.6
Deferred taxes	11.8	3.3
Total	**126.4**	**138.4**
thereof: Germany	*125.6*	*135.9*
thereof: All other countries	*0.8*	*2.5*

4. Notes to the statement of profit or loss

4.1. Revenue from contracts with customers

Revenue from contracts with customers

in mEUR	2020	2019
Referral revenue	238.4	823.6
Other revenue	10.6	15.0
Total	**248.9**	**838.6**

Note: Some figures may not add due to rounding.

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 Revenue for the year ended December 31, 2020 was €238.4 million, representing a decrease of €585.2 million or 71.1%, compared to the year ended December 31, 2019. Referral Revenue was negatively impacted by significant declines in Qualified Referrals and RPQR. The number of Qualified Referrals decreased by 53.9% in the year ended December 31, 2020 compared to the same period in 2019, while RPQR decreased by 37.3%.

Other revenue is mainly related to trivago Business Studio Pro Apps Package, which is sold on a subscription basis and allows hotels to enhance their profile with more advanced features and functionalities. Other revenue for the year ended December 31, 2020 was €10.6 million, representing a decrease of €4.4 million or 29.3%, compared to the year ended December 31, 2019..

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	2020	2019
United States	57.4	192.5
Germany	27.5	68.5
United Kingdom	26.6	85.3
Brazil	12.4	35.4
All other countries	124.9	456.9
Total	**248.9**	**838.6**

Note: Some figures may not add due to rounding.

4.2. Cost of sales

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

Cost of sales for the year ended December 31, 2020 increased by €1.0 million, or 10.7%, compared to the year ended December 31, 2019. The increase was primarily driven by higher personnel-related costs of €0.7 million mainly due to higher headcount included in cost of sales, as well as higher third-party IT service providers costs.

Cost of sales includes share-based compensation expenses in the amount of €0.2 million (2019: €0.3 million). For further explanation see *Note 8. Share-based Payment Plans.*

4.3. Selling and distribution expenses

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

Advertising expense consists of fees that we pay 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 personnel-related expenses for our marketing, sales and hotel relations teams, as well as production costs for our TV spots and other marketing material, and other professional fees such as market research costs.

Selling and distribution costs

in mEUR	**2020**	**2019**
Advertising expenses	150.0	616.7
Other selling and marketing expenses	27.6	46.6
thereof: Share-based compensation	0.9	2.3
Total	**177.6**	**663.3**

Selling and marketing expenses for the year ended December 31, 2020 decreased by €485.7 million, or 73.2% compared to the year ended December 31, 2019, primarily driven by significant reductions in Advertising Spend across all segments due to the COVID-19 pandemic.

Advertising Spend decreased by €466.7 million, or 75.7% in the year ended December 31, 2020 compared to the year ended December 31, 2019.

In reaction to the COVID-19 pandemic, we reduced our Advertising Spend significantly starting at the end of the first quarter of 2020. This reduction continued across all segments throughout 2020. During the summer months in Developed Europe where the COVID-19 pandemic was relatively muted, the reduction in our Advertising Spend was less pronounced as we took advantage of a slight recovery in travel demand in that segment.

We reduced our Advertising Spend to €57.0 million, €60.8 million and €32.2 million in Americas, Developed Europe and RoW, respectively, compared to €233.9 million, €230.3 million and €152.5 million, in the year ended December 31, 2019.

Other selling and marketing expenses excluding share-based compensation for the year ended December 31, 2020 decreased by €17.6 million, or 39.7%, compared to the year ended December 31, 2019, primarily driven by €8.5 million in reduced television advertisement production costs, and by lower professional fees and other expenses.

Professional fees and other expenses for the year ended December 31, 2020 decreased by €5.2 million, or 39.7%, compared to the same period in 2019, mainly driven by lower office-related expenses (see *"Note 4.5. General and administrative expenses - Costs across multiple categories"*), reduced marketing analytic costs, decreased personnel-related costs and lower depreciation expense. Additionally, we incurred lower digital sales taxes due to the decrease in Referral Revenue caused by the COVID-19 pandemic.

Personnel expenses for the year ended December 31, 2020 decreased by €3.9 million, or 20.6%, mainly due to lower headcount. This was slightly offset by restructuring costs incurred in the year ended December 31, 2020 (see *"Note 4.5. General and administrative expenses - Costs across multiple categories"*).

Share-based compensation decreased by €1.4 million, or 60.9% in the year ended December 31, 2020 compared to the year ended December 31, 2019, which was mainly driven by award forfeitures, partly offset by new grants during the year.

4.4. Technology and content expenses

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	**2020**	**2019**
Personnel costs	36.2	37.0
Share-based compensation	2.9	5.9
Depreciation and amortization	10.7	9.8
Other	12.5	16.3
Total	**62.3**	**69.0**

Technology and content expense for the year ended December 31, 2020 decreased by €6.7 million, or 9.7%, compared to the year ended December 31, 2019, mainly due to lower professional fees and other expenses and lower share-based compensation.

Other expenses, including professional fees, decreased by €3.8 million, or 23.3%, mainly due to a €1.8 million decrease in office-related expenses (see *"Note 4.5. General and administrative expenses - Costs across multiple categories"*), a €1.6 million reduction in personnel-related costs mainly due to lower employee benefits and a €1.4 million decrease in external content development costs. These decreases were partly offset by higher third-party IT service provider costs and capitalized software depreciation due to a larger underlying asset.

Share-based compensation decreased by €3.0 million, or 50.8%, for the year ended December 31, 2020, which was mainly driven by award forfeitures partly offset by new grants during the year.

Personnel expenses for the year ended December 31, 2020 decreased by €0.8 million, or 2.2%, mainly due to lower headcount and increased capitalization of our developers' salaries. This was partly offset by restructuring costs incurred in the year ended December 31, 2020 (see *"Note 4.5. General and administrative expenses - Costs across multiple categories"*).

4.5. General and administrative expenses

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

General and administrative expenses

in mEUR	**2020**	**2019**
Personnel costs	15.5	16.9
Share-based compensation	11.8	8.9
Professional fees and other	15.0	26.8
Total	**42.3**	**52.6**

General and administrative expense for the year ended December 31, 2020 decreased by €10.3 million, or 19.6%, compared to the year ended December 31, 2019, primarily due to a decrease in professional fees and other expenses of €11.8 million, or 44.0%. The decrease resulted mainly from a legal provision recognized in the fourth quarter of 2019, as well as lower consulting expenses. The decrease was further driven by lower office-related expenses (see *"Costs across multiple categories"* below), a reduction in personnel-related costs mainly due to lower employee benefits and lower charitable contributions. These were partly offset by the impact of a cyber-related fraud case, which occurred in the first quarter of 2020.

Share-based compensation increased by €2.9 million, or 32.6%, for the year ended December 31, 2020, which was mainly driven by new grants during the year partly offset by award forfeitures.

Personnel expenses for the year ended December 31, 2020 decreased by €1.4 million, or 8.3%, primarily as a result of lower headcount. These were partly offset by restructuring costs incurred in the year ended December 31, 2020 (see *"Costs across multiple categories"* below).

Costs across multiple categories

See *Note 4.6. Personnel expenses - Restructuring* for further details regarding our restructuring activities in the year ended December 31, 2020.

Office-related expenses decreased by €3.5 million in the year ended December 31, 2020, compared to the year ended December 31, 2019, as we terminated unused office space leases in November 2019 and consolidated our office locations in 2020 as part of our restructuring initiatives.

In addition, trivago reduced employee benefits and events due to the COVID-19 pandemic in the year ended December 31, 2020, leading to reductions in personnel-related costs.

As result of the above explained office-related expenses and employee benefits costs decreases, technology and content expense decreased by €3.4 million, selling and marketing expense by €1.8 million and general and administrative expense by €1.5 million in the year ended December 31, 2020, compared to the year ended December 31, 2019.

4.6. Personnel expenses

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

Personnel expenses by cost type

in mEUR	**2020**	**2019**
Wages and salaries	72.1	79.6
Social security costs	9.5	11.6
Pension expenses	0.2	0.2
Termination benefits	3.2	0.7
Total	**85.0**	**92.1**

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. For further explanation of share-based compensation see Note *8. “Share-based payment plan”*.

The number of employees decreased from 1,247 in the prior year to 834 at the end of the reporting period. The average number of employees in the fiscal year 2020 amounted to 1,041 (prior year: 1,301), of which 984 (prior year: 1,191) were employed in Germany and 1 (prior year: 39) was employed in the Netherlands.

Personnel expenses are divided among the various divisions as follows:

Personnel expenses

in mEUR	**2020**	**2019**
Cost of sales	2.7	2.1
Selling and distribution expenses	15.9	21.2
Technology and content	39.1	43.0
General and administrative expenses	27.3	25.8
Total	**85.0**	**92.1**

Restructuring

During 2020, we announced a restructuring of our organization in order to adjust to the new economic situation due to the COVID-19 pandemic. We decided to consolidate our office locations and to reduce our headcount significantly, in order to shape a leaner organization, enabling us to prepare for the expected market recovery and achieve our long-term profit recovery plan.

During 2020, the Company recorded €6.4 million of charges associated with the restructuring activity, mainly consisting of severance and benefit charges. The charges were comprised of €1.8 million being recorded in selling and distribution expense, €3.0 million in technology and content expense and €1.6 million in general and administrative expense. Charges recorded in cost of revenue were insignificant.

As of December 31, 2020, €0.2 million of total restructuring charges related to employee related costs remain in other current liabilities in the consolidated statement of financial position. We expect these costs to be fully paid, and no further charges to be incurred, during 2021.

4.7. Depreciation and amortization

Depreciation and amortization

in mEUR	**2020**	**2019**
Cost of Sales	1.0	1.0
Selling and distribution	2.2	2.9
Technology and content	10.7	9.8
General and administrative	2.6	3.1
Total	**16.5**	**16.8**

4.8. Finance expense

Finance expenses

in mEUR	**2020**	**2019**
Interest on debts and borrowings	0.2	0.0
Interest on lease liabilities (Note 5.10)	3.7	3.9
Total	**3.9**	**3.9**

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 2020 amounts to approximately 15.4% (prior year: 15.405%).

Income taxes

in mEUR	**2020**	**2019**
Current income tax	-0.2	19.1
Deferred taxes	-8.7	1.9
Total	**-8.9**	**21.0**

Income taxes do not include effects not relating to the reporting periods in 2020 and 2019.

Deferred tax income relates to the origination and reversal of temporary differences in the amount of (8.7) (prior year: €1.9 million).

Deferred taxes result from the following items:

Deferred assets and liabilities

	as of December 31,	
in mEUR	**2020**	**2019**
Intangible assets	—	0.3
Other receivables and assets	1.4	3.7
Trade payables and other liabilities	—	0.1
Tax losses carry-forward	11.3	0.3
Lease liabilities	28.2	31.4
Other	0.3	0.5
Deferred tax assets	**41.2**	**36.3**
Intangible assets	2.9	3.0
Trade payables and other liabilities	—	—
Right-of-use assets	26.4	29.8
Other	0.1	0.2
Deferred tax liabilities	**29.4**	**33.0**
Amount recognized in profit and loss	**(8.7)**	**1.9**
Amount recognized in equity	**—**	**—**

As of the balance sheet date, deferred tax assets and liabilities of 29.4 mEUR (2019:33.0 mEUR) were offset, having met the requirements for offsetting.

At December 31, 2020, trivago Group had net operating loss carryforwards (“NOLs”) for a tax-effected amount of approximately 11.3 mEUR. The tax-effected NOL carryforwards increased by 11 mEUR from the amount recorded at December 31, 2019 primarily due to the current year losses at the level of the trivago N.V.

trivago N.V. is a Dutch listed entity, however has its tax residency in Germany. In 2017, trivago N.V. and trivago GmbH merged for tax purposes. This merger 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, 2020, 11.3 mEUR tax-effected NOLs are recognized for tax losses of trivago N.V., which also may be carried forward indefinitely. In evaluating whether it is probable that taxable profits will be earned in future accounting periods to realize the benefit of DTA, all available evidence was considered, including business plans, forecasts and NOL usage analysis.

As of December 31, 2020, deferred tax assets for 0.5 mEUR of accumulated tax loss carryforwards of domestic and foreign subsidiaries were not recognized as we have considered these tax loss carryforwards as not realizable. Accordingly, the valuation allowance increase by 0.5 mEUR from the amount recorded as of December 31, 2019 primarily due to the absence of potential future taxable profits necessary to use tax loss carryforwards.

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 0.01 mEUR at December 31, 2020. In terms of undistributed earnings of domestic investments, we have recognized deferred income taxes on taxable temporary difference of 0.01 mEUR, 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	2020	2019
Result before income tax	**-48.3**	**40.9**
Group tax rate	31.23 %	31.23 %
Income taxes based on group statutory tax rate	**-14.8**	**12.8**
Foreign rate differential	0.0	0.1
Non-deductible share-based compensation	4.9	5.4
Changes in uncertain tax positions	0.0	2.9
Losses for which no deferred tax is recognized	0.5	0.0
Other differences	0.5	-0.1
Effective tax expenses as per income statement	**-8.9**	**21.0**

(the figures appearing for Result before Income tax for 2020 of -48.3 mEUR includes loss on MHS equity investment impairment of 0.8 mEUR)

The group statutory tax rate corresponds to the tax rate of the parent company, trivago N.V., which 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, 2019 and 2020:

in kEUR	2020	2019
Balance, beginning of year	**2,857**	**—**
Increases to tax positions related to the current year	—	2,133
Increases to tax positions related to prior years	—	720
Interest and penalties	14.0	4.0
Balance, end of year	**2,871**	**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

	2020	2019
Earnings per share attributable to trivago N.V. available to Class A and Class B common stockholders:		
Basic	(0.11)	0.06
Diluted	(0.11)	0.06
Weighted average number of outstanding shares in units		
Weighted average shares of Class A and Class B common stock outstanding - basic	353,338	351,991
Weighted average shares of Class A and Class B common stock outstanding - diluted	353,338	357,280

Diluted weighted average common shares outstanding for the year ended December 31, 2020 does not include the effects of the exercise of outstanding stock options and contingently issuable shares from market based awards granted 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 01/01/2019	**3.4**	**20.3**	**0.5**	**24.2**
Additions	—	4.4	—	4.4
Disposals	—	(0.4)	—	(0.4)
Exchange rate differences	0.1	—	—	0.1
As of 12/31/2019	**3.5**	**24.3**	**0.5**	**28.3**
As of 01/01/2020	**3.5**	**24.3**	**0.5**	**28.3**
Additions	—	4.3	—	4.3
Disposals	(0.3)	(3.8)	—	(4.1)
Exchange rate differences	—	—	—	—
As of 12/31/2020	**3.2**	**24.8**	**0.5**	**28.5**
Accumulated depreciation				
As of 01/01/2019	**—**	**(11.8)**	**(0.2)**	**(12.0)**
Additions	—	(4.4)	(0.2)	(4.6)
Impairments	—	(0.1)	—	(0.1)
Disposals	—	—	—	—
As of 12/31/2019	**—**	**(16.3)**	**(0.4)**	**(16.7)**
As of 01/01/2020	**—**	**(16.3)**	**(0.4)**	**(16.7)**
Additions	—	(4.9)	(0.1)	(5.0)
Impairments	—	(0.1)	—	(0.1)
Disposals	—	3.7	—	3.7
As of 12/31/2020	**—**	**(17.6)**	**(0.5)**	**(18.1)**
Net carrying amount as of 1/1/2019	3.4	8.5	0.3	12.2
Net carrying amount as of 12/31/2019	3.5	8.0	0.1	11.6
Net carrying amount as of 12/31/2020	3.2	7.2	—	10.4

Goodwill amounts to 3.2 mEUR as of December 31, 2020 (3.5 mEUR as of December 31, 2019).

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. 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

Goodwill is subjected to an impairment test at least annually as of September 30. Goodwill is allocated for impairment test purposes to cash-generating units ("CGUs"), which corresponds to the Group's three operating segments of Developed Europe, Americas and Rest of World.

The Group performed its annual impairment test of goodwill as of September 30, 2020 and determined there was no impairment at that time for the Group's goodwill balance as the recoverable amount for each of the three operating segments was in excess of their respective carrying amounts.

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.

The recoverable amounts of the CGUs were determined to be their fair values less costs of disposal during the annual impairment test. Fair value less cost of disposal was calculated using various assumptions and estimates, including weighted average cost of capital, revenue growth rates, profitability of the business and long-term rate of growth. Within the scope of the impairment test, sensitivity analyses 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.

As of December 31, 2020 the Group's consolidated net asset value was approximately 266.5 mEUR, and the Group's recoverable amount was in excess of this amount. In addition, since the market capitalisation of the Group's publicity traded shares exceeded 650 mUSD as of December 31, 2020, we concluded that there is no risk of impairment on allocated goodwill.

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 01/01/2019	**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)**
Transfers	0.3	0.1	0.2	(1.2)	—	**(0.6)**
As of 12/31/2019	**18.2**	**6.0**	**2.3**	**17.3**	**0.1**	**43.9**
As of 01/01/2020	**18.2**	**6.0**	**2.3**	**17.3**	**0.1**	**43.9**
Additions	1.1	0.0	—	0.1	—	**1.2**
Disposals	(2.1)	(2.9)	—	(2.4)	—	**(7.4)**
Transfers	0.1	2.3	(2.3)	—	(0.1)	**—**
As of 12/31/2020	**17.3**	**5.4**	**—**	**15.0**	**—**	**37.7**
Accumulated depreciation						
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)**
Disposals	0.5	0.1	—	—	—	**0.6**
Transfers	(0.1)	—	0.2	0.6	—	**0.7**
As of 12/31/2019	**(12.9)**	**(3.6)**	**(1.0)**	**(1.6)**	**—**	**(19.1)**
As of 01/01/2020	**(12.9)**	**(3.6)**	**(1.0)**	**(1.6)**	**—**	**(19.1)**
Additions	(2.9)	(0.7)	—	(1.7)	—	**(5.3)**
Impairments	(0.1)	0.0	—	(0.2)	—	**(0.3)**
Disposals	1.9	2.6	—	1.7	—	**6.2**
Transfers	—	(1.0)	1.0	—	—	**—**
As of 12/31/2020	**(14.0)**	**(2.7)**	**—**	**(1.8)**	**—**	**(18.5)**
Net carrying amount as of 12/31/2019	5.3	2.4	1.3	15.7	0.1	**24.8**
Net carrying amount as of 12/31/2020	3.3	2.7	—	13.2	—	**19.2**

We record property and equipment at cost, net of accumulated depreciation and impairment. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is generally three to eight 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

	As of December 31,	
in mEUR	**2020**	**2019**
Trade receivables (gross)	**10.5**	**36.4**
Expected credit losses	(0.3)	(0.2)
Trade receivables (net)	**10.2**	**36.2**

As of December 31, 2020 impairment allowances for trade receivables amounts to 0.3 mEUR (2019: 0.2 mEUR). The development of allowance for expected credit losses in 2020 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	**2020**	**2019**
As of January 1	**0.2**	**0.5**
Additions	0.5	0.6
Utilisation	(0.4)	(0.9)
As of December 31	**0.3**	**0.2**

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 12/31/2020	**10,176**	**41**	**307**		**10,524**
Expected credit loss rate	0.66 %	12.20 %	89.90 %		
Estimated total gross carrying amount at default	**67**	**5**	**276**		**348**

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

5.4 Trade receivables, related parties

Trade receivables. related parties

	As of December 31,	
in mEUR	**2020**	**2019**
Trade receivables (gross)	**3.0**	**31.1**
Expected credit losses	0.0	0.0
Trade receivables (net)	**3.0**	**31.1**

Management believes that the credit quality of trade receivables from related parties that are not past due or impaired are not of a high risk as their credit risk is considered to be very low. Consequently, as none of the trade receivables from related parties are past due at period end, there is no material expected credit loss expected on these receivables.

5.5 Other assets

Other financial assets

in mEUR	As of December 31, 2020 Current	2020 Non-current	2020 Total financial assets	2019 Current	2019 Non-current	2019 Total financial assets
Restricted cash	0.1	2.3	2.4	0.1	2.3	2.4
Creditors with debit balances	0.9	—	0.9	0.2	—	0.2
Non-trade receivables	1.0	—	1.0	1.0	—	1.0
Deposits	—	0.0	0.0	—	0.7	0.7
Other	—	—	—	—	1.0	1.0
Total	**2.0**	2.3	**4.3**	**1.3**	**4.0**	**5.3**

Other non-financial assets

in mEUR	As of December 31, 2020 Current	2020 Non-current	2020 Total assets	2019 Current	2019 Non-current	2019 Total assets
Prepaid expenses	4.5	—	4.5	2.5	—	2.5
Prepaid pending business acquisition	3.0	—	3.0	—	—	—
Advance payments	2.4	1.3	3.7	2.2	1.7	3.9
Income tax receivable	7.8	—	7.8	8.6	—	8.6
VAT	0.5	—	0.5	0.5	—	0.5
Other	—	0.1	0.1	—	0.9	0.9
Total	**18.2**	**1.4**	**19.6**	**13.8**	**2.6**	**16.4**

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, 2020 and as of December 31, 2019 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 208.4 mEUR as of December 31, 2020 and 218.1 mEUR as of December 31, 2019. 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, 2020, we had ADSs representing 55,967,976 Class A shares outstanding (700,000,000 authorized) and 298,187,967 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 2020 and 2019, 3,500,000 and 7,000,000 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, 2019 and 2020.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income represents foreign currency translation adjustments for our subsidiaries in foreign locations. As of December 31, 2020, 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 corporate expenses allocated to trivago by the Expedia Group.

5.8 Loans due to banks

We maintain a 50.0 mEUR uncommitted credit facility with an interest rate of LIBOR, floored at zero, plus 1% per annum, which is guaranteed by Expedia Group, that may be terminated at any time by the lender. As of December 31, 2019 and December 31, 2020 we had no borrowings outstanding on the consolidated balance sheet. Refer to Note *14. Events after the Reporting Date* for details of an event subsequent to December 31, 2020 that impacts the uncommitted credit facility.

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,					
	2020			2019		
in mEUR	Current	Non-current	Total	Current	Non-current	Total
Trade payables	6.7	—	6.7	33.3	—	33.3
Other financial liabilities	4.0	0.4	4.4	6.0	0.7	6.7
Other non-financial liabilities	16.5	0.1	16.6	18.2	0.3	18.5
Total	**27.2**	**0.5**	**27.7**	**57.5**	**1.0**	**58.5**

Other financial liabilities as of December 31, 2020 mainly include outstanding invoices amounting to 2.5 mEUR. In the prior year, the balance mainly includes outstanding invoices amounting to 3.2 mEUR.

Other non-financial liabilities mainly include legal provisions (refer to Note *9. Commitments and Contingencies* for further information) and 2.8 mEUR current contract liabilities (2019: 5.6 mEUR current contract liabilities) 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.

5.10 Leases

trivago as lessee

For the year ended December 31, 2020, we have leases for office space and office equipment, as we terminated all remaining apartment leases in 2020. Our leases have remaining terms of less than one year to 18 years, some of which 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 2022. Sublease income from such agreements was 1.0 mEUR and 0.9 mEUR for the years ended December 31, 2019 and 2020, respectively.

Right-of-use assets

The changes in the net book value of the Company's right-of-use assets, during the years ended December 31, 2019 and 2020, respectively, were as follows:

in mEUR	Office Space	Apartments	Office Equipment	Total
Cost				
As of 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 of December 31, 2019	**100.9**	**0.2**	**1.3**	**102.4**
Cost				
As of January 1, 2020	**100.9**	**0.2**	**1.3**	**102.4**
Additions	0.4	—	—	0.4
Derecognitions and other items	(6.5)	(0.2)	(0.1)	(6.8)
As of December 31, 2020	**94.8**	**—**	**1.2**	**96.0**
Accumulated depreciation				
As of January 1, 2019	**—**	**—**	**0.1**	**0.1**
Opening balance adjustment IFRS 16	—	—	—	—
Additions	6.2	—	0.4	6.7
As of December 31, 2019	**6.2**	**—**	**0.5**	**6.8**
Accumulated depreciation				
As of January 1, 2020	**6.2**	**—**	**0.5**	**6.8**
Additions	6.0	—	0.3	6.3
Derecognitions and other items	(1.4)	—	(0.1)	(1.5)
As of December 31, 2020	**10.8**	**—**	**0.7**	**11.6**
Net book value				
As of January 1, 2019	**0.5**	**—**	**0.5**	**1.0**
As of December 31, 2019	**94.7**	**0.2**	**0.8**	**95.6**
As of December 31, 2020	**84.0**	**—**	**0.5**	**84.4**

Amounts recognized in profit or loss

The following are the amounts recognized in profit or loss:

in mEUR	Year ended December 31, 2020	Year ended December 31, 2019
Depreciation expense	6.3	6.7
Lease expense on short-term leases	0.1	1.4
Interest expense on finance leases	3.7	3.9
Amounts expensed in profit or loss	**10.1**	**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, 2020	Year ended December 31, 2019
Balance, beginning of year	**100.5**	**0.5**
Opening balance adjustment IFRS 16	—	104.5
Additions	0.4	0.7
Derecognitions and other items	(5.6)	—
Accretion of interest	3.7	3.9
Payments	(5.5)	(9.1)
Balance, end of year	**93.5**	**100.5**
Of which:		
Current	7.4	5.3
Non-current	86.1	95.2

Lease Payments

The required lease payments of the lease liability are as follows:

in mEUR	Year ended December 31, 2020	Year ended December 31, 2019
Less than 1 year	10.8	9.0
1-5 years	35.9	41.1
More than 5 years	80.2	88.0

The total cash outflow for leases in 2020 was 5.6 mEUR (2019: 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.

in mEUR	2020 Carrying amount	Amount recognised in balance sheet according to IFRS 9 Amortized cost	 Fair value through OCI	 Fair value recognized in profit and loss	 Fair value
Financial Assets					
Trade receivables	10.2	10.2	—	—	10.2
Trade receivables, related parties	3.0	3.0	—	—	3.0
Other financial assets	4.3	4.3	—	—	4.3
Short-term investments	19.4	19.4	—	—	19.4
Cash and cash equivalents	208.4	208.4	—	—	208.4
Financial Liabilities					
Trade payables	6.8	6.8	—	—	6.8
Other financial liabilities	4.4	4.4	—	—	4.4

in mEUR	2019 Carrying amount	Amount recognised in balance sheet according to IFRS 9 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

Financial assets include non-current assets amounting to €2.3 million as of December 31, 2020 (prior year: €4.0 million).

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, 2020		
in mEUR	**Level 1**	**Level 2**	**Level 3**
Other financial assets	—	—	—
Short-term investments			
Term deposits	—	9,448	—
Cash and cash equivalents			
Money market funds	65,111	—	—
Other financial liabilities	—	—	—
Total	**65,111**	**9,448**	**—**

	As of December 31, 2019		
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,						
	2020						
			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	—	—	—	—	(0.8)	(0.5)	**(1.3)**
Financial Liabilities	3.9	—	—	—	—	—	**3.9**
Total	**3.9**	**—**	**—**	**—**	**(0.8)**	**(0.5)**	**2.6**

	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**

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. Our exposure to these risks includes our credit facility, cash, accounts receivable, intercompany receivables, investments and accounts payable.

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.

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. Expedia Group and affiliates represented 27% of our total revenue for the year ended December 31, 2020 and 20% of total accounts receivable as of December 31, 2020. Booking Holdings and its affiliates represented 44% of our revenue for the year ended December 31, 2020 and 47% of total accounts receivable as of December 31, 2020.

trivago works with several banks to mitigate credit risk exposure.

Interest rate risk

We did not experience any significant impact from changes in interest rates and had no amounts outstanding under our credit facility during the year ended December 31, 2020. The facility was cancelled by the lender in early 2021.

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.

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

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact 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 €1.8 million based on the net asset or liability balances of foreign denominated cash, accounts receivable, and accounts payable balances as of December 31, 2020. 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, 2020, our net foreign exchange rate losses increased to €0.8 million compared to €0.4 million in the year ended December 31, 2019.

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 as of December 31, 2020 are 34,711,009 Class A shares, which does not include any Class B share conversions. Class A shares issuable under the 2016 Plan are represented by ADSs for such Class A shares.

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 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, performance-based stock options, share appreciation rights, restricted stock units, performance-based 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 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	2020	2019
Expense arising from equity-settled share-based payment transactions	15.8	17.4
Expense arising from cash-settled share-based payment transactions	—	—
Total expense arising from share-based payment transactions	**15.8**	**17.4**
Additional modification charges	1.0	—

On October 22, 2020, a modification was made to the vesting conditions for market-based awards, which impacted 3,580,049 awards granted to three grantees on March 11, 2020. The grants modified contain performance conditions including compound annual growth rate (CAGR) of trivago's share price or achievement of a volume-weighted average share price over a specified target for duration of time. The additional incremental compensation expense was calculated by comparing the fair value of the original award immediately before the modification and the modified award conditions immediately after modification. As a result of the modification, additional incremental compensation expense of €1.0 million will be recognized from modification date over the remaining service period.

The following table presents a summary of our share option activity:

Movements during the year of share-based compensation

	Number	Weighted average exercise prices	Remaining contractual life (years)	Aggregate intrinsic value
Balance as of January 1, 2019	**20,693,398**			
Granted	3,932,498	0.06		17,412
Exercised	1,218,560	0.17		5,034
Cancelled	2,233,623	6.93		1,572
Balance as of December 31, 2019	**21,173,713**	**4.79**	**15**	**19,556**
Exercisable as of December 31, 2019	10,456,082	5.41	24	9,774
Vested and expected to vest after December 31, 2019	21,173,713	4.79	15	19,556
Granted	8,550,753	0.06		12,359
Exercised	1,405,583	0.06		2,168
Cancelled	1,971,734	4.28		1,214
Balance as of December 31, 2020	**26,347,149**	**3.29**	**12**	**28,356**
Exercisable as of December 31, 2020	14,204,833	5.01	17	10,018
Vested and expected to vest after December 31, 2020	26,347,149	3.29	12	28,356

The range of exercise prices for options outstanding at the end of the year was 15.16 EUR to 0.06 EUR (2019: 15.16 EUR to 0.06 EUR).

The following table presents a summary of our restricted stock units (RSUs):

	RSUs	Weighted average grant date fair value	Remaining contractual life in years
Balance as of January 1, 2019	**57,806**	**3.88**	**7**
Granted	474,121	4.25	
Vested	38,262	3.88	
Cancelled	8,000	5.29	
Balance as of December 31, 2019	**485,665**	**4.22**	**6**
Granted	1,606,140	1.13	
Vested	245,687	4.30	
Cancelled	221,657	2.43	
Balance as of December 31, 2020	**1,624,461**	**1.39**	**5**

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.

Cash received from share-based award exercises for the years ended December 31, 2019 and 2020 was 202 kEUR and 87 kEUR, respectively.

The fair value of share awards granted during the years ended December 31, 2019 and 2020 were estimated at the date of grant using appropriate valuation techniques, including the Black-Scholes and Monte Carlo simulation pricing models, assuming the following weighted average assumptions:

Inputs to the models used for share-based compensation

	2020	**2019**
Weighted average fair values at the measurement date (€)	1	4
Dividend yield (%)	0	0
Expected volatility (%)	60 %	50 %
Risk–free interest rate (%)	-0.20	-0.56
Expected life of share options (years)	4.12	4.50
Weighted average share price	1.82	4.69
Models used	Black-Scholes and Monte Carlo	Black-Scholes

The Monte Carlo simulation model, which simulated the probabilities of the potential outcomes of future stock prices of the Company over the performance period, was used to calculate the grant-date fair value for awards with market conditions.

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 were as follows:

Purchase obligations

in mEUR	Nominal value of the future minimum purchase obligations 12/31/2020	12/31/2019
Remaining term of up to 1 year	12.2	11.9
Remaining term of more than 1 year and up to 5 years	5.5	—
Remaining term of more than 5 years	—	—
Total	**17.7**	**11.9**

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, 2020. A further description is included in the board report (section 2.4.14).

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. On November 4, 2020, the Australian Federal Court dismissed trivago's appeal. On May 27, 2021, the court scheduled a separate trial regarding penalties and other orders for October 18, 2021, after vacating the prior June 2021 trial date. Management recorded an estimate of the probable loss 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

James Carter(1)

Matthias Tillmann(2)

(1) Mr. Carter was appointed to our management board at our general meeting of shareholder, which was held on June 30, 2020.

(2) Mr. Tillmann's appointment as Chief Financial Officer became effective on December 31, 2019. On June 30, 2020, he was appointed as managing director at our general meeting of shareholders.

We consider our management board as “key management”.

We provided our management board with the following cash compensation with respect to their service as members of the management board during the fiscal year 2020:

(in kEUR)	Carter(1)	Hefer	Thomas(2)	Tillmann(1)
Amounts of periodically-paid remuneration	120	240	120	120
Bonuses	228	228	—	240
Total cash compensation	348	468	120	360

(1) James Carter and Matthias Tillmann were appointed to our management board at our general meeting of shareholders, which was held on June 30, 2020. The periodically-paid remuneration amounts presented reflect cash compensation for the period as a member of our management board.

(2) Johannes Thomas ceased to be a member of our management board when he did not stand for reelection at the general meeting of shareholders, which was held on June 30, 2020.

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 2020, the compensation committee approved, subject to supervisory board approval, an all-cash performance bonus to Messrs. Carter, Hefer and Tillmann, which amounts are included in the bonus line in the table above. As of December 31, 2020, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our management board members.

In 2020, while still a member of the management board, Mr. Thomas exercised options at a strike price of €0.06 to receive 80,000 ADSs (American Depositary Shares). In 2020 after his appointment to the management board, Mr. Tillmann exercised options at a strike price of €0.06 to receive 17,500 ADSs that were subsequently sold pursuant to a trading plan established pursuant to Rule 10b5-1 of the Exchange Act. In 2020 after his appointment to the management board, Mr. Carter acquired 57,649 ADSs from the vesting of his restricted stock units that were subsequently sold pursuant to Rule 10b5-1 of the Exchange Act.

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.

Our management board held the following options (both vested and unvested) as of December 31, 2020:

Beneficiary	Grant date	Vesting date	Number of options outstanding(1)	Strike price	Expiration date(2)
Carter	Jul. 18, 2019	Three Year Vest(8)	78,799	N/A(7)	N/A(7)
	Mar. 11, 2020(4)	Three Year Vest(4)	124,385	N/A(7)	N/A(7)
	Mar. 11, 2020(5)	Jan. 2, 2023	532,385	N/A(7)	N/A(7)
	Mar. 11, 2020	Three Year Vest(9)	441,880	N/A(7)	N/A(7)
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	Three Year Vest(3)	810,927	€0.06	Jun. 28, 2026
	Mar. 11, 2020(4)	Three Year Vest(4)	775,347	€0.06	Mar. 11 2027
	Mar. 11, 2020(5)	Jan. 2, 2023	1,500,358	€0.06	Mar. 11 2027
	Mar. 11, 2020	Three Year Vest(9)	1,170,280	€0.06	Mar. 11 2027
Thomas	Mar. 18, 2014	Jun. 7, 2015, 2017	170,213	€2.11	None
	May 15, 2015	Mar. 8, 2016, 2017, 2018	110,639	€2.11	None
	May 15, 2015	Jul. 31, 2017	17,626	€0.06	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Apr. 3, 2021
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Apr. 3, 2021
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	476,000	$7.17	Apr. 3, 2021
	Jun. 28 2019	Three Year Vest(3)	139,378	€0.06	Apr. 3, 2021
	Jul. 23, 2020(6)	Jan. 2, 2021	246,765	€0.06	Apr. 3, 2021
Tillmann	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	40,000	$12.14	Mar. 6 2024
	Mar. 21, 2018	Jan. 2, 2019, 2020, 2021	100,000	$7.01	Mar. 21, 2025
	Feb. 8, 2019	Three Year Vest(3)	12,500	€0.06	Feb. 8, 2026
	Mar. 11, 2020(4)	Three Year Vest(4)	115,189	€0.06	Mar. 11 2027
	Mar. 11, 2020(5)	Jan. 2, 2023	532,385	€0.06	Mar. 11 2027
	Mar. 11, 2020	Three Year Vest(9)	523,674	€0.06	Mar. 11 2027

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

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

(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.

(4) The award vests 1/3rd on January 2, 2021, and an additional 1/12th will vest quarterly thereafter until the award is fully vested, subject to continued service on such vesting dates. The awards are not exercisable until the completion of the performance period. The award contains performance conditions which will determine the number of shares awardable at the end of the performance period pursuant to the respective vested stock options or restricted share units. The performance condition is based upon the two-year and three month compound annual growth rate (CAGR) of trivago's share price. Potential award levels range from 50-150% of the grant depending on the achievement of a share price CAGR ranging from 10-20% over a two-year and three month period (sliding scale). The start and end stock price is based

on the 30-day trailing volume-weighted average share price. The initial performance measurement period at grant was January 2, 2020 to December 31, 2022. On October 22, 2020, the performance measurement start date was subsequently modified to October 2, 2020, which resulted in a lower anchor stock price and a shorter performance period to be used in determining the CAGR at the end of the performance period.

(5) The award cliff vests on January 2, 2023 and is dependent on achieving a six or twelve month volume-weighted average share price ≥ USD $2.74 for the last 6 or 12 months of 2022. If this performance condition is not satisfied, the award will lapse immediately and cease to be exercisable in respect of all of the award. The performance condition at grant was a volume-weighted average share price of USD $5.00. On October 22, 2020, the performance condition was subsequently modified to a volume-weighted average share price of USD $2.74.

(6) Johannes Thomas received a consultancy award with 100% vesting on January 2. 2021.

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

(8) This award vests as follows: 1/3rd vested on July 18, 2020, and an additional 1/12th will vest quarterly thereafter until the award is fully vested, subject to continued service on such vesting dates.

(9) This award vests as follows: 1/3rd vests on January 2, 2021, 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, 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.

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	**2020**	**2019**
Hefer	4,683	3,504
Thomas	1,272	1,168
Tillmann	678	-
Carter	845	-
Schrömgens	-	455

The primary objective of our senior management's compensation program is described in the *Compensation Principles - Senior management* section below.

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, 2020 is described in the tables below. Our supervisory board received the following cash compensation with respect to service in the fiscal year 2020:

($ in thousands)	**Kern[(1)]**	**Mazzella**	**Mankodi**	**Östberg**
Periodically-paid remuneration	14	45	45	45
Total cash compensation	14	45	45	45

(1) Peter Kern was appointed as CEO of Expedia, Inc. and therefore no longer receives compensation for his services on our supervisory board beginning April 22, 2020 onwards.

Mr. Kern (beginning on the date he became CEO of Expedia on April 22, 2020), Mr. Dzielak, Ms. Gorin, Mr. Hart and Mr. Schrömgens were not provided with any compensation for their service on our supervisory board for the year ended December 31, 2020.

Our supervisory board held the following options and/or restricted stock units (RSUs) (both vested and unvested) as of December 31, 2020:

Beneficiary	**Grant date**	**Vesting date**	**Number of options/RSUs outstanding**	**Strike price**	**Expiration date**
Dzielak	—	—	—	—	—
Gorin	—	—	—	—	—
Hart	—	—	—	—	—
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[(2)]	13,773	N/A[(1)]	N/A[(1)]
	Mar. 11, 2020	3 Year Vest[(4)]	27,322	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[(2)]	15,495	N/A[(1)]	N/A[(1)]
	Mar. 11, 2020	3 Year Vest[(4)]	100,446	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[(2)]	54,062	€0.06	Jun. 28, 2026
	Nov. 5, 2019	3 Year Vest[(3)]	831	€0.06	Nov. 5, 2026
	Mar. 11, 2020	3 Year Vest[(4)]	95,982	€0.06	Mar. 11, 2027
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[(2)]	58,117	€0.06	Jun. 28, 2026
	Mar. 11, 2020	3 Year Vest [(4)]	95,982	€0.06	Mar. 11, 2027
Schrömgens	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,00	$7.17	Mar. 6, 2024

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

(2) 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.

(3) 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.

(4)This award vests as follows: 1/3rd vests on January 2, 2021, 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, 2020, we had nothing set aside or accrued to provide pension, retirement or similar benefits to our supervisory board members. In the year 2020, none of our supervisory board members exercised any options in trivago N.V. In 2020, 19,616 and 22,068 RSUs vested and were released to Mr. Kern and Mr. Mankodi, respectively.

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(1)	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.

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 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 quantitative and qualitative goals set for our company, as well as on an individual basis. 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, 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: Company and Business Overview - 2.4. Business Overview - 2.4.9. 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 59.0% 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, 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, 2019 and 2020, Expedia Group and its brands in each of the years accounted for €281.8 million, or 34% and €66.4 million, or 27% 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 did not utilize the credit facility during the years ended December 31, 2019 and 2020. The credit facility was subsequently cancelled by the lender in early 2021; it was still in place for the year ending December 31, 2020.

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 €2.8 million and €1.1 million for the years ended December 31, 2019 and 2020, respectively, primarily consists of referral revenue. Refer to Note *14. Events after the Reporting Date* for details on an event subsequent to December 31, 2020 that impacts myhotelshop as a related party to trivago.

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	**2020**	**2019**
Interest-bearing loans and borrowings	0.0	0.0
Less: Cash and cash equivalents	-208.4	-218.1
Net debt	**-208.4**	**-218.1**
Equity	266.5	290.1
Total capital	**266.5**	**290.1**
Capital and net debt	**58.1**	**71.9**

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	**2020**	**2019**
Audit fees*	2.5	2.7
Tax fees	0.0	0.0
Total	**2.5**	**2.7**

** Thereof related to the audit of the financial statements included in the annual report by Ernst & Young Accountants LLP: 0.1 mEUR (2019: 0.1 mEUR)*

14. Events after the Reporting Date

Equity transactions

After the date of the balance sheet through the date of issuance of these consolidated financial statements, 9,625,000 Class B shares were converted into 9,625,000 Class A shares consistent with the conversion ratio discussed in Note *7. Equity*. Furthermore, 3,505,097 Class A shares were issued as a result of options exercised and RSUs released.

On March 2, 2021, our supervisory board amended the trivago N.V. 2016 Omnibus Incentive Plan to increase the maximum number of Class A shares available for issuance from 34,711,009 to 59,635,698 Class A shares.

Credit facility

On January 7, 2021, our €50.0 million uncommitted credit facility with Bank of America Merrill Lynch International Ltd. was cancelled by the lender.

weekengo acquisition

On January 12, 2021, we acquired 100% of weekengo GmbH ("Weekengo") shares and the related domain for €7.4 million cash consideration pursuant to an agreement dated December 23, 2020. Weekengo is a company based in Germany that operates the online travel search website "weekend.com", which specializes in optimizing the delivery of search results for direct flights and hotel packages with a short-trip focus. A portion of the purchase consideration amounting to €3.0 million was paid in December 2020 as partial fulfillment of closing conditions, and this amount has been included in other current assets on the consolidated statement of financial position as of December 31, 2020.

The acquisition qualifies as a business combination and will be accounted for using the acquisition method of accounting. Accordingly, we will allocate the consideration paid for Weekengo to the net tangible and identifiable intangible assets based on their estimated fair values. Our preliminary valuation of assets acquired and liabilities assumed, and the fair value of such amounts are included in the table below. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

(in thousands)		**January 12, 2021**
Cash and cash equivalents	€	85
Prepaid expenses and other current assets		54
Property and equipment, net		11
Goodwill		5,085
Intangible assets, net		2,326
Total Assets		**7,561**
Accounts payable		(121)
Other liabilities		(15)
Net assets acquired	**€**	**7,425**

The Company applied variations of the cost approach to estimate the fair values of the acquired trademark and domain “WEEKEND.com” of €0.7 million with an estimated useful life of 5 years, and capitalized software and software development costs of €1.6 million with an estimated useful life of 3 years, all recognized within intangible assets. The Company additionally recognized €0.3 million of deferred tax liabilities attributable to the fair value adjustment on capitalized software and software development costs, which are offset by acquired deferred tax assets.

The preliminary estimated fair values of the assets acquired and the liabilities assumed are determined based on currently available information. We are continuing to evaluate the underlying inputs and assumptions used in the valuations. Accordingly, these preliminary estimates are subject to change during the measurement period, which is up to one year from the date of the acquisition. A change in fair values of the assets acquired and the liabilities assumed would result in a corresponding change in the amount of goodwill resulting from the acquisition.

The goodwill balance of €5.1 million largely reflects our access to Weekengo’s development team and know-how, and expected synergies to strengthen our presence in the weekend getaway market. Goodwill is not expected to be deductible for tax purposes.

The Company incurred €0.1 million of transaction costs with respect to the Weekengo acquisition during the year ended December 31, 2020. The transaction costs were recorded within general and administrative expenses of the consolidated statements of profit or loss.

The following unaudited pro forma information reflects our consolidated statement of profit or loss as if the acquisition had occurred on January 1, 2020. The unaudited pro forma information is not necessarily indicative of the results of operations that we would have reported had the transaction actually occurred at the beginning of the period nor is it necessarily indicative of future results. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, including, but not limited to, anticipated costs savings from synergies or other operational improvements.

(in thousands)		**Period from January 1, 2021 to December 31, 2021**
Revenue	€	249,287
Net loss		(41,072)

The unaudited pro forma financial information in the table above includes adjustments that are directly attributable to the business combination and are factually supportable. The pro forma financial information include adjustments of €0.4 million related to application of the Company’s accounting policies, amortization related to recognition of the acquired trademark and domain and fair value adjustment on capitalized software, and acquisition related transaction costs.

myhotelshop disposal

The sale of our minority interest in myhotelshop closed on January 28, 2021. As a result of the conclusion of the sale, we derecognized the remaining equity method investment of €70 thousand on our consolidated statements of financial position and we will no longer consider myhotelshop a related party.

Lease modification

On January 29, 2021, we entered into an amendment to the operating lease agreement for office space in our corporate headquarters, whereby the landlord agreed to grant us partial termination of the lease related to certain floor spaces from January 1, 2021 for a penalty of €6.7 million, and from May 31, 2023 for a penalty of €2.3 million. The amendment will be treated as a modification to the existing lease agreement with an effective date of January 29, 2021 and the termination penalties will be expensed over the remaining lease term. As part of the amendment, we will receive €7.6 million from the landlord as compensation for the transfer of long-lived assets related to the terminated floor space and €2.6 million as settlement of prior claims for defects in the leased office space. As a result of this lease modification, we will record a significant decrease in the carrying amounts of right-of-use assets and related operating lease liabilities that is expected to result in a gain or loss.

Marketing sponsorship agreement

In January 2021, we entered into a marketing sponsorship agreement, which includes a commitment of approximately €23.2 million for the next three years in return for various marketing rights beginning July 1, 2021. The first contractual installment of €4.0 million was paid in January 2021.

Distribution Agreement

On May 3, 2021, the Company entered into an equity distribution agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") pursuant to which the Company may issue, offer and sell American Depositary Shares, representing its Class A shares, having an aggregate sale price of up to $75,000,000, over a period of time and from time to time through Morgan Stanley as the Company’s sales agent.

10. trivago N.V.
Company Financial Statements
as of December 31, 2020

Table of contents

trivago N.V.
Company Financial Statements
Statement of Profit or Loss
for the period from January 1, 2020 to December 31, 2020

in kEUR	Notes	2020	2019
Profit/(loss) from affiliated companies after taxation	1	(74)	1,562
Other income and losses after taxation	2	(39,293)	18,113
Profit/(loss) for the year after taxation		(39,367)	19,675

trivago N.V.
Company Financial Statements
Statement of Financial Position before appropriation of results as of December 31, 2020

in KEUR	Notes	2020	2019
Fixed assets			
Intangibles			
Intangible assets	3	7,246	8,125
Goodwill		3,187	3,495
Total intangibles		10,433	11,620
Tangible fixed assets	4	18,586	22,116
Right-of-use assets		84,002	91,235
Financial fixed assets			
Participation in group companies	5	3,780	4,985
Other long term receivables	5	3,977	9,512
Deferred tax assets	5	11,782	3,349
Total financial fixed assets		19,539	17,846
Non-current assets		**132,560**	**142,817**
Trade receivables		10,235	36,010
Trade receivables, related parties		4,018	32,566
Income tax receivables		7,737	8,025
Other assets		11,900	6,281
Short-term investments		19,448	10,000
Cash and cash equivalents	6	204,277	212,095
Current assets		**257,615**	**304,977**
Assets		**390,175**	**447,794**
Common stock A shares	7	3,358	3,049
Common stock B shares	7	178,913	181,013
Capital reserves	7	117,111	79,675
Legal reserves	7	6,475	6,640
Profit (loss) for the period	7	(39,367)	19,675
Total equity		**266,490**	**290,052**
Lease liabilities		85,797	91,456
Other liabilities		501	818
Non-current liabilities		**86,298**	**92,274**
Trade payables		6,990	34,221
Income tax liabilities		2,955	3,236
Lease liabilities		7,313	4,606
Other liabilities	8	20,129	23,405
Current liabilities		**37,387**	**65,469**
Equity and liabilities		**390,175**	**447,794**

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 2020 from affiliated companies is determined as follows:

in mEUR	**total**
Profit other affiliated companies	(0.1)
Total	**(0.1)**

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

in mEUR	**total**
Profit other affiliated companies	1.6
Total	**1.6**

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 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.

The consolidated goodwill balance is fully comprised of trivago N.V. and further disclosures related to changes in the carrying amount of goodwill during the period is included in note "5.1 Intangible assets" in the consolidated accounts.

in mEUR	Other Intangibles	Capitalized Software	Total
Historical cost			
As of 01/01/2019	**0.5**	**20.1**	**20.6**
Additions	—	4.3	4.3
Disposals	—	(0.4)	(0.4)
As of 12/31/2019	**0.5**	**24.1**	**24.5**
As of 01/01/2020	**0.5**	**24.1**	**24.5**
Additions	—	4.3	4.3
Disposals	—	(3.7)	(3.7)
As of 12/31/2020	**0.5**	**24.7**	**25.1**
Accumulated depreciation			
As of 01/01/2019	**(0.2)**	**(11.6)**	**(11.8)**
Additions	(0.1)	(4.5)	(4.6)
Disposals	—	—	—
Impairments	—	—	—
As of 12/31/2019	**(0.4)**	**(16.1)**	**(16.5)**
As of 01/01/2020	(0.4)	(16.1)	(16.5)
Addition	(0.1)	(4.9)	(5.0)
Disposals	—	3.6	3.6
Impairments	—	(0.1)	(0.1)
As of 12/31/2020	**(0.5)**	**(17.5)**	**(18.0)**
Net carrying amount as of 1/1/2019	**0.3**	**8.5**	**8.8**
Net carrying amount as of 31/12/2019	**0.1**	**8.0**	**8.1**
Net carrying amount as of 31/12/2020	**—**	**7.2**	**7.2**

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 mEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Construction in progress	Total
Historical cost						
As of 01/01/2019	**14.8**	**5.2**	**1.6**	**15.2**	**0.1**	**36.9**
Adoption of IFRS 16	—	—	(0.6)	1.5	—	0.9
Additions	2.6	—	—	0.5	—	3.1
Disposals	(0.5)	(0.1)	—	—	—	(0.6)
Transfers	0.2	0.1	(0.5)	(0.5)	—	(0.7)
As of 12/31/2019	**17.1**	**5.2**	**0.5**	**16.7**	**0.1**	**39.6**
As of 01/01/2020	**17.1**	**5.2**	**0.5**	**16.7**	**0.1**	**39.6**
Additions	1.0	—	—	0.1	—	1.1
Disposals	(1.4)	(2.1)	—	(0.4)	—	(3.9)
Transfers	0.1	2.3	(0.5)	(1.8)	(0.1)	—
Exchange rate differences						—
As of 12/31/2020	**16.8**	**5.4**	**—**	**14.6**	**—**	**36.8**
Accumulated depreciation						
As of 01/01/2019	**(9.7)**	**(2.6)**	**(0.6)**	**(1.1)**	**—**	**(14.0)**
Adoption of IFRS 16	—	—	0.1	—	—	0.1
Additions	(3.0)	(0.7)	(0.3)	(0.8)	—	(4.8)
Disposals	0.4	0.1	—	—	—	0.5
Transfers	(0.1)	—	0.2	0.6	—	0.7
As of 12/31/2019	**(12.4)**	**(3.2)**	**(0.6)**	**(1.3)**	**—**	**(17.5)**
As of 01/01/2020	**(12.4)**	**(3.2)**	**(0.6)**	**(1.3)**	**—**	**(17.5)**
Additions	(2.7)	(0.6)	—	(0.9)		(4.2)
Disposals	1.3	2.0	—	0.2		3.5
Transfers	—	(0.9)	0.6	0.3		—
Exchange rate differences						—
As of 12/31/2020	**(13.8)**	**(2.7)**	**—**	**(1.7)**	**—**	**(18.2)**
Net carrying amount as of 01/01/2019	**5.1**	**2.6**	**1.0**	**14.1**	**0.1**	**22.9**
Net carrying amount as of 12/31/2019	**4.7**	**2.0**	**(0.1)**	**15.4**	**0.1**	**22.1**
Net carrying amount as of 12/31/2020	**3.0**	**2.7**	**—**	**12.9**	**—**	**18.6**

We record property and equipment at cost, net of accumulated depreciation and impairment. 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, 2020 trivago holds the following direct and indirect participating interests in subsidiaries:

Name, location		Interest in %
Fully consolidated		
trivago Services B.V. (in liquidation)	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. (in liquidation)	China	100
trivago Hotel Relations GmbH	Germany	100
Tell Charlie B.V. (in liquidation)	The Netherlands	100
trivago services US LLC	USA	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 mEUR

Opening balance 1 January 2019	3.4
Capital transactions	—
Results from subsidiaries	1.6
Investments, ending balance 31 December 2019	5.0
Opening balance 1 January 2020	5.0
Capital transactions	(1.1)
Results from subsidiaries	(0.1)
Investments, ending balance 31 December 2020	3.8

Other long term receivables	
in mEUR	
Opening balance January 1, 2019:	**9.2**
Increase various	0.3
Balance as of December 31, 2019:	**9.5**
Opening balance January 1, 2020:	**9.5**
Decrease various	(5.5)
Balance as of December 31, 2020:	**4.0**

As of December 31, 2020 there is a 1.1 mEUR accumulated impairment charge relating to the participating interest in myhotelshop, and no accumulated revaluations or depreciation charges related to investments in subsidiaries.

As of December 31, 2019, there were no accumulated revaluations, depreciation or impairment charges related to investments in subsidiaries.

Deferred Tax Asset	
in mEUR	
Opening balance January 1, 2019:	**5.3**
Additions/(Reductions)	(2.0)
Balance as of December 31, 2019:	**3.3**
Opening balance January 1, 2020:	**3.3**
Additions/(Reductions)	8.5
Balance as of December 31, 2020:	**11.8**

6. Cash and cash equivalents

in mEUR	As of December 31, 2020	As of December 31, 2019
Cash at banks and on hand	204.3	212.1
Total	**204.3**	**212.1**

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, 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, due to internally developed software	—	(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**
January 1, 2020	**184,062**	**117,749**	**6,640**	**19,675**	**(38,074)**	**290,052**
Appropriation of prior year's result				(19,675)	19,675	—
Other comprehensive income (net of tax)		(58)				(58)
Share-based compensation expense NV level		15,776				15,776
Conversion of Class B shares	(1,890)	1,890				—
Issued capital, options exercised	99	(12)				87
Transfer of reserves to legal reserve		165	(165)			—
Net profit (loss)				(39,367)		(39,367)
December 31, 2020	**182,271**	**135,510**	**6,475**	**(39,367)**	**(18,399)**	**266,490**

Capital stock

As of December 31, 2020, we had ADSs representing 55,967,976 Class A shares outstanding, 209,008,088 Class B shares outstanding.

As of December 31, 2019, we had ADSs representing 50,816,706 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, 2020.

Income for the period

An unappropriated income/(loss) of 19.7 mEUR and (39.4) mEUR exists for the year ended December 31, 2019 and December 31, 2020, respectively.

8. Other liabilities

Other liabilities in the amount of 20.1 mEUR (2019: 23.4 mEUR consist of both financial liabilities and non-financial liabilities and are specified in the table below.

Other financial liabilities

	2020	2019
in mEUR	**Current**	**Current**
Deposit	0.5	0.3
Liabilities to employees	0.7	1.1
Invoices to be received	2.5	3.2
Other	0.3	1.3
Total	**4.0**	**5.9**

Other non-financial liabilities

	2020	2019
in mEUR	**Current**	**Current**
Deferred income	2.8	5.3
Other taxes liabilities	2.5	1.6
Liabilities to employees	1.2	0.8
Other	9.6	9.7
Total	**16.1**	**17.5**
Total other liabilities	**20.1**	**23.4**

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 2020.

Düsseldorf, Germany May 28, 2021.

Management Board

/s/ A.P. Hefer

/s/ M. Tillmann

/s/ J. Carter

Supervisory Board

/s/ R. Dzielak

/s/ E. Hart

/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 2020, 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, 2020, Expedia Group’s ownership interest and voting interest in trivago N.V. is 59.0% and 68.8%, respectively, and the Founders had an ownership interest and voting interest of 25.2% and 29.4%, 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, Germany.

12. Independent Auditors Report

Independent auditor's report

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

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of trivago N.V. based in Amsterdam.
The financial statements comprise the consolidated and 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 2020 and of its result and its cash flows for 2020 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 2020 and of its result for 2020 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 2020
- the following statements for 2020: the consolidated statements of profit or loss, 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 2020
- the company statement of profit or loss for 2020
- 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. (the company) 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.

Our audit approach

Our understanding of the business

Trivago and its subsidiaries offer online meta-search for hotel and accommodation, generally employing a "cost-per-click" pricing structure. The group is structured in components and we tailored our 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.

We were forced to perform our procedures on the financial statements 2020 to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€1,870,000 (2019: €6,300,000)
Benchmark applied	0.75% of revenue (2019: 0.75% 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 statements.

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 €94,000, 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.

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.

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 audit mainly focused on the statutory entity trivago N.V., 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 revenue from contracts with customers, 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 technology industry. We included specialists in the areas of IT audit, valuation and income taxes.

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 and misappropriation of assets. In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions and management overrides and workarounds becoming the norm.

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 the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

Our audit procedures to address the assessed fraud risks did not result in a specific key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to the risk of management override of controls in the description of our audit approach for the key audit matter relating to revenue recognition.

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 refer to note 9 to the consolidated financial statements under "Legal proceedings".

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

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the management board's use of the going concern basis of accounting. The management board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with the management board exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by the management board to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows - acknowledging that the company has been able to lower expenditures substantially in 2020 - with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. Furthermore, we inspected the equity distribution agreement as disclosed in note 14 of the financial statements.

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.

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 the management board
- 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 “Completeness and existence of marketing accruals related to TV advertising” which was included in our last year’s auditor’s report, is not considered a key audit matter for this year as TV advertising expenditures were scaled back significantly in 2020.

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.

The impact of the COVID-19 pandemic	
Risk	The developments around the Corona (COVID-19) pandemic have a profound impact on people, society and on the economy and the assessment of the ability to continue as a going concern. This also impacts operational and financial performance of organizations, including trivago. As a result of the developments around the COVID-19 pandemic, trivago N.V. is confronted with increased uncertainty associated with prospective financial information, such as that used in the assessment of the ability to continue as a going concern (section 3.2.3.1 of the annual report) and in the recoverability assessment for deferred tax assets (note 4.9). Taking into account the effect of the COVID-19 pandemic on areas in the financial statements that involve significant judgment and are subject to a high degree of estimation uncertainty, we considered this a key audit matter.
Our audit approach	We discussed and evaluated the impact of the COVID-19 pandemic on the financial statements of trivago N.V. and focused on the accounts listed above with assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment and on the possible impact on the going concern assumption for trivago N.V. as a whole.

The impact of the COVID-19 pandemic	
	We audited and challenged the management board's assessment of the impact of the COVID-19 pandemic on going concern and liquidity and on the valuation of deferred tax assets. We designed and performed specific audit procedures responsive to this assessment. In performing our audit procedures we maintained our professional skepticism and remained alert for any possible impact of the COVID-19 pandemic on the financial statements. We analyzed events subsequent to 31 December 2020 to determine whether any events require adjusting amounts recognized in the financial statements.
Key observations	We agree with the management board's assessment of the impact of the COVID-19 pandemic on the recoverability assessment of the deferred tax asset and on the assessment of the ability to continue as a going concern.

Revenue recognition	
Risk	Revenue from contracts with customers (hereinafter: revenue) is one of the key indicators of the Company's performance and focus of the users of the financial statements. We refer to Note 1.3 under Revenue from contracts with customers and note 4.1 to the consolidated financial statements. Cost-per-click (CPC) (or referral) revenue accounts for the majority of the Company's revenue, which is driven by each user's click on an advertisement. Revenue is recognized 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. CPC revenue is processed within the underlying IT systems at the Company. Given the specific business model, the volume of transactions with related parties, 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 in accordance with IFRS 15 'Revenue from Contracts with Customers' and understanding of the internal (IT) control environment with evaluation of design and testing of control effectiveness in the area of revenue recognition. We considered the possible impact on the Covid-19 pandemic resulting from remote working, illness and workforce reductions in our evaluation of the design of controls throughout 2020. In addition, 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 the Company's significant customers the occurrence of revenue recorded and clicks generated for the period.

Revenue recognition	
	Finally, we evaluated the adequacy of the disclosures in the financial statements related to revenue recognition.
Key observations	We determined 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 related disclosures in the financial statements are adequate.

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 management board report, consisting of Company and business overview, Financial overview and Risk management and risk factors
- The activities of and evaluation by the supervisory board (5.7)
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Introduction, Corporate governance, Compensation report, Related party disclosures and Protective measures

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 of the Dutch Civil Code

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 of the Dutch Civil Code 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.

The management board is responsible for the preparation of the other information, including the management 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 ever since that date.

Description of responsibilities for the financial statements

Responsibilities of the management board and the supervisory board for the financial statements

The management board 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, the management board is responsible for such internal control as the management board 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, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board 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, 28 May 2021

Ernst & Young Accountants LLP

signed by P.J.A. Gabriëls