Annual report of trivago N.V.
for the fiscal year ended 31 December 2016

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1. Introduction

In this board report, the terms "trivago", "we", "us", "our" and "the Company" refer to trivago N.V. and, where appropriate, its subsidiaries. Unless stated otherwise, information presented in this board report is as at 31 December 2016.

Our financial statements are presented in euros and, unless otherwise specified, all monetary amounts are in euros. Any references in this board report to "$", "US$", "U.S.$", "U.S. dollars", "dollars" and all references to "€" and "euros" mean euros, unless otherwise noted. The exchange rate calculated at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank in New York on the period-end date for the applicable period, which as of December 31, 2015 was €1.00 = $1.0859 and as of 31 December 2016 was €1.00 = $1.0552. You should not assume that, on that or any other date, one could have converted these amounts of euro into U.S. dollars at this or any other exchange rate.

We have historically conducted our business through trivago GmbH, and therefore our historical financial statements present the results of operations and financial condition of trivago GmbH and its controlled subsidiaries. In connection with our initial public offering (the "IPO"), trivago N.V. became the holding company of trivago GmbH, and the historical consolidated financial statements of trivago GmbH became the historical consolidated financial statements of trivago N.V.

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

1.1. Preparation

This board 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") pursuant to Section 2:391 of the Dutch Civil Code ("DCC"). It contains (i) trivago's Dutch statutory annual accounts as defined in Section 2:361(1) DCC and (ii) the information to be added pursuant to Section 2:392 DCC (to the extent relevant). The financial statements included in sections 10 and 11 of this board report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Commission ("EU IFRS") and title 9 of Book 2 Dutch civil code. The report of trivago's independent auditor, Ernst & Young Accountants LLP, is included in section 12.5.

1.2. 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:

- our future financial performance, including our revenue, cost of revenue, operating expenses and our ability to achieve and maintain profitability;
- our ability to generate positive cash flow and the sufficiency of our operating cash flow to meet our liquidity needs;
- our expectations regarding the development of our industry and the competitive environment in which we operate;
- our development of new products and services;
- our ability to increase the number of visits to our hotel search platform and referrals to our advertisers;
- our ability to attract and maintain relationships with advertisers and increase the number of hotels on our marketplace;
- the growth in the usage of our mobile devices and our ability to successfully monetize this usage; and
- our ability to receive a positive tax ruling and complete the post-IPO merger.

You should refer to the section 4.2 of this board report for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this board report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

2. Company and Business Overview

2.1. History and development of the Company

We were incorporated on 7 November 2016 as travel B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law. In connection with the IPO in 16 December 2016, 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.

We are registered with the trade register (*handelsregister*) of the Chamber of Commerce (*Kamer van Koophandel*) in the Netherlands under number 67222927. Our corporate seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and our registered office is at Bennigsen-Platz 1, 40474 Düsseldorf, Germany. As of December 31, 2016, we had 1,233 employees.

2.2. Organizational structure

trivago N.V. acts as a holding company of trivago GmbH, the historical operating company of the trivago group. In this annual report, unless the context otherwise requires, the terms "we," "us," "our," "trivago" and the "company" refer to trivago GmbH, travel B.V. and trivago N.V., and their respective consolidated subsidiaries, as applicable.

2.2.1. Current organizational structure

In connection with the IPO, the Company underwent a corporate reorganization, and as of December 31, 2016, trivago N.V. is the parent holding company of trivago GmbH.

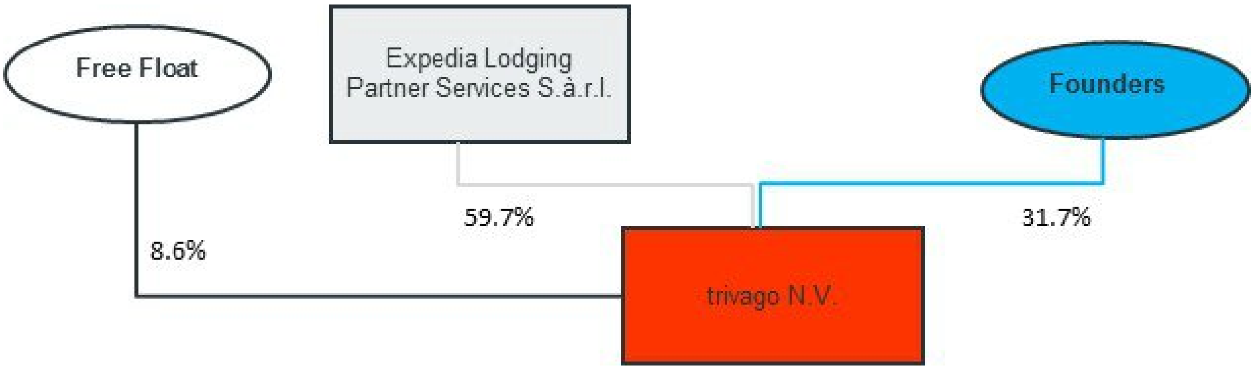
Prior to the IPO, Expedia owned 63.5% and Messrs. Schrömgens, Vinnemeier and Siewert, (whom we collectively refer to as the "Founders") owned 36.5%, in aggregate, of the voting power in trivago GmbH. Prior to the completion of the IPO, Expedia contributed all of its shares in trivago GmbH to travel B.V. in a capital increase in exchange for newly issued Class B shares of travel B.V., which were converted into Class B shares of trivago N.V. The Founders contributed 940 units of trivago GmbH, representing 6.7% of their aggregate shareholding in trivago GmbH, to travel B.V. in a capital increase in exchange for newly issued Class A shares of travel B.V., which were converted into Class A shares of trivago N.V. As a result of these contributions, 96.3% of the share capital and 99.6% of the voting power in travel B.V. was held by Expedia and 3.7% of the share capital and 0.4% of the voting power in travel B.V. was held by the Founders, whereas 66.0% of the voting power in trivago GmbH was held by travel B.V. and 34.0% of the voting power in trivago GmbH was held by the Founders.

ADSs representing the Class A shares of the Founders in trivago N.V. were subsequently sold in the IPO and additional 20,826,606 ADSs (base offering and full exercise of over-allotment option) representing newly issued Class A shares in trivago N.V. were issued. Following the closing of the IPO, a substantial portion of the net proceeds to trivago N.V. from the offering of the newly issued Class A shares in trivago N.V. were transferred to trivago GmbH in exchange for units that were newly issued by trivago GmbH, which we refer to as the capital increase. The number of new shares of trivago GmbH to be subscribed for was the equivalent of the number of ADSs representing newly issued Class A shares by trivago N.V. in the offering, divided by the so called IPO Exchange Ratio of 8,510.66824, rounded to the nearest whole unit. In addition, the underwriters exercised their option to purchase 1,200,002 ADSs from the selling shareholders (which the selling shareholders received in exchange for the contribution of 141 units of trivago GmbH) at the public offering price. After the capital increase and full exercise by the underwriters, 68.3% of the voting power in trivago GmbH is held by trivago N.V. and 31.7% of the voting power in trivago GmbH is held by the Founders.

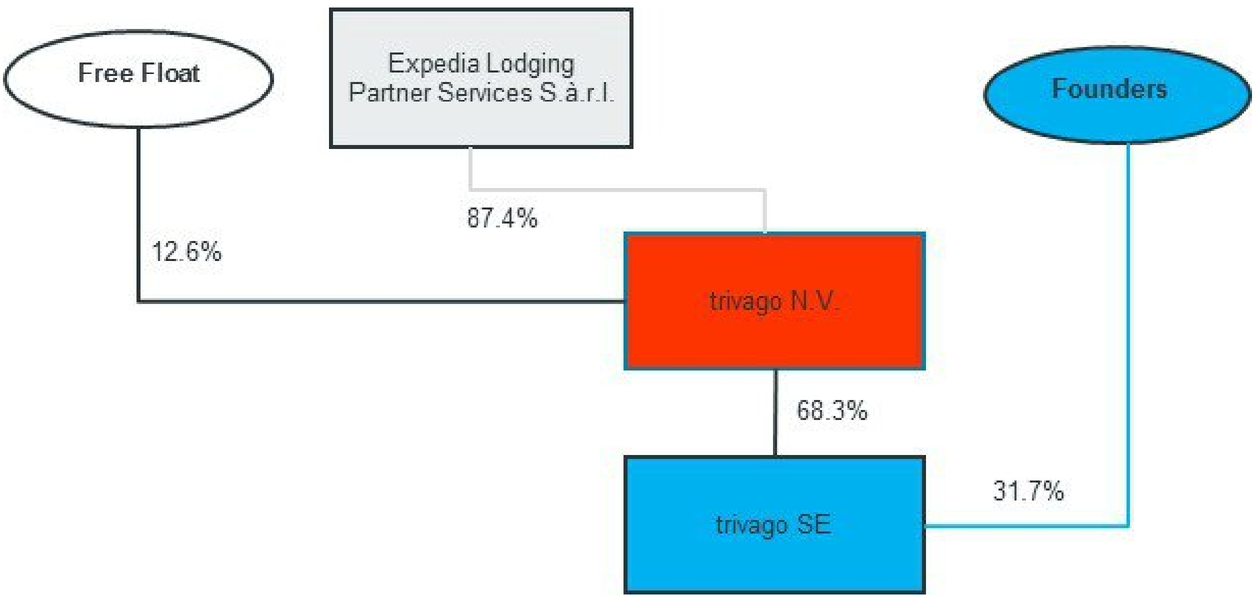
As of December 31, 2016, Expedia's ownership interest and voting interest in trivago N.V. was 87.4% and 98.6%, respectively. Assuming the share capital increase of trivago GmbH that became effective on February 8, 2017 had been effective at that time, Expedia's indirect ownership interest and voting interest in trivago GmbH was 59.7% and 64.7%, respectively.

2.2.2. Post-IPO corporate reorganization

Each of trivago GmbH and each of the Founders has submitted a request for a tax ruling from the German tax authorities in connection with a plan to simplify our corporate structure. The tax ruling request of the company requests a decision from the German tax authorities with respect to, *inter alia*, the: (i) application of the German Reorganization Tax Act *(RTA – Umwandlungssteuergesetz*) to the post-IPO merger (as defined below) and (ii) fulfillment of the specific requirements under sec. 11 par. 2 RTA, in particular, that the transferred assets will still be subject to German corporate income tax and that Germany is not precluded or limited in exercising its rights to tax any capital gains from the disposal of those assets at the level of trivago N.V. as a result of the post-IPO merger. The tax ruling request of each of the Founders requests a decision from the German tax authorities with respect to, *inter alia*, the: (i) application of the German Reorganization Tax Act (*RTA - Umwandlungssteuergesetz*) to the post-IPO merger; and (ii) the fulfillment of the specific requirements under sec. 13 par. 2 RTA for a tax free exchange by the Founders of their shares; and (iii) certain other matters. We believe that the relevant governmental authorities typically issue rulings such as the one described above within two to four months after a request is submitted. There is no guarantee, however, that the rulings requested by trivago GmbH and the Founders will be issued within this time (or at all), and such a ruling may take considerably longer. If we and each of the Founders receive positive tax rulings (and/or certain other conditions are met, as described more fully in the IPO Structuring Agreement, we intend to consummate a transaction pursuant to which trivago GmbH will be merged with and into trivago N.V., which we refer to as the post-IPO merger, and the Founders will effectively exchange all of their units of trivago GmbH for Class B shares of trivago N.V. The following chart depicts our corporate structure if we are able to complete the post-IPO merger:



If trivago GmbH or any of the Founders does not receive a favorable ruling from the German tax authorities with respect to the matters described above, or if trivago GmbH or any of the Founders does not receive a ruling within twelve months of the consummation of the IPO, which occurred on December 21, 2016, (and in each case, certain other conditions are not met, as described more fully in the IPO Structuring Agreement), trivago GmbH will not consummate the post-IPO merger. After such time, the Founders will have a right to exchange their shares in trivago GmbH for our Class A shares or Class B shares at the exchange ratio of 8,510.66824, subject to certain adjustments for splits and similar transactions. If the post-IPO merger is not consummated, trivago GmbH will change its legal form first into a German stock corporation (*Aktiengesellschaft*) and then into a European public limited liability company (*Societas Europaea*), which we refer to as the SE structure. We refer to the company following implementation of the SE structure as trivago SE. Upon completion of the SE structure, the ownership of trivago GmbH/SE will be as follows:



If the SE structure is implemented, we will remain a holding company, the Founders will own the remaining shares of trivago SE and will continue to have the right to exchange their shares of trivago SE for our Class A shares or Class B shares at the exchange ratio of 8,510.66824, subject to certain adjustments for splits and similar transactions. See "*4.2 Risk*

Factors—Tax risks related to the corporate reorganization." We refer to the post-IPO merger and the SE structure, collectively, as the post-IPO corporate reorganization. Although we expect to complete the post-IPO corporate reorganization as soon as practicable, Expedia and the Founders have agreed to determine within twelve months of the consummation of the IPO, which occurred on December 21, 2016, how to proceed with the post-IPO corporate reorganization, whether or not tax rulings are received, and expect to implement any decision within four months after making such determination. Whether we are able to implement the post-IPO corporate reorganization within four months after such determination depends on how quickly we are able to submit necessary filings to government authorities, have such filings registered by such authorities and, if applicable, conclude discussions with employees regarding their supervisory board participation rights in our German subsidiary under German law. Even if favorable tax rulings are received, Expedia and the Founders may choose to consummate the SE structure rather than the post-IPO merger. We will issue a press release as soon as practicable after the time of such determination to announce the finalization of our post-IPO corporate reorganization.

2.3. Property, plant and equipment

Our corporate headquarters are located in Düsseldorf, Germany where we lease office space of 17,761 square meters, in the aggregate, under separate lease agreements expiring between May 2018 and December 2019.

On July 23, 2015, we entered into a lease agreement for 26,107 square meters of office space at another location in Düsseldorf, Germany for a ten-year fixed term commencing upon finalization of the construction of the facilities. We intend to relocate our corporate headquarters to such facilities in 2018 when construction is expected to be completed.

2.4. Business Overview

2.4.1. Overview

trivago is a global hotel search platform. Our mission is to "be the traveler's first and independent source of information for finding the ideal hotel at the lowest rate." We are focused on reshaping the way travelers search for and compare hotels, while enabling hotel advertisers to grow their businesses by providing access to a broad audience of travelers via our websites and apps. Our platform allows travelers to make informed decisions by personalizing their hotel search and providing access to a deep supply of hotel information and prices. In the year ended December 31, 2016, we had 535.3 million qualified referrals and offered access to approximately 1.4 million hotels in over 190 countries. See "*3.2 Management's discussion and analysis of financial condition and results of operation*" for a further description of qualified referrals.

Our brand positions us as a key starting point for travelers searching for their ideal hotel. Our fast and intuitive hotel search platform enables travelers to find their ideal hotel by matching individual traveler preferences with detailed hotel characteristics such as price, location, availability, amenities and ratings, across a vast supply of global hotels.

We believe that the number of travelers accessing our websites and apps makes us an important and scalable marketing channel for our hotel advertisers, which include "online travel agents" or OTAs, hotel chains and independent hotels. Additionally, our ability to refine user intent through our search function allows us to provide advertisers with transaction-ready referrals. We generate revenues primarily on a "cost-per-click," or CPC, basis, whereby an advertiser is charged when a user clicks on an advertised rate for a hotel and is referred to that advertiser's website where the user can complete the booking. Our CPC bidding function enables advertisers to influence their own return on investment and the volume of referral traffic we generate for them. Recognizing that advertisers on our marketplace have varying objectives and varying levels of marketing resources and experience, we provide a range of services to enable advertisers to improve their performance on our marketplace.

Rigorous analysis and application of data and technology are critical parts of our DNA. We capture a large amount of data on how users search on and engage with our site and our apps, enabling us to continually test new features and the effectiveness of existing ones, refine our search algorithms and thereby improve our product. This makes our hotel search platform more powerful for users by improving the quality of their hotel discovery experience, as well as more valuable to advertisers by refining the quality of the referrals we generate. Technology and data also drive how we engage with our advertisers via our CPC bidding algorithm. We have built tools that capture data and calculate our return on many elements of our brand and performance marketing. 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.

Our hotel search platform can be accessed globally via 55 localized websites and apps in 33 languages. Users can search our platform on desktop and mobile devices, but benefit from a familiar user interface, resulting in a consistent user experience. In June 2016, our revenue from mobile websites and apps exceeded our revenue from our desktop websites for the first time, which is consistent with an expected longer term shift towards mobile.

We have grown significantly since our incorporation in 2005. In the years ended December 31, 2015 and 2016, we generated revenue of €493.1 million, €754.2 million respectively. During the same periods, we had net losses of €18.2 million , €41.4 million, respectively.

2.4.2. Our market opportunity

As hotel discovery, evaluation and booking increasingly move online, travelers and advertisers face distinct challenges.

2.4.2.1. Challenges for travelers

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

2.4.2.2. Challenges for hotel advertisers

Hotel advertisers operate in a competitive market with different types of advertisers having specific needs. OTAs need to drive high volumes of traffic to their websites to generate revenues, while hotel chains and independent hotels who operate high fixed cost models focus on ensuring their inventory is filled. Both OTAs and hotel advertisers aspire to reach a targeted audience of travelers with their marketing.

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

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

2.4.3. The trivago hotel search platform

We believe that we are reshaping hotel discovery for our users, while changing the way hotel advertisers identify, engage with and acquire travelers.

Our search platform forms the core of our user experience. It captures and seeks to refine user intent and preferences and, as of December 31, 2016, it provided users with access to approximately 1.4 million hotels worldwide. It organizes a large amount of information from multiple sources and gives each user what we believe to be the optimal basis to make a decision. We help users to convert initial interest into a clear and specific booking intention.

We enable hotel advertisers to advertise offers for each individual hotel. By placing bids in our CPC-based bidding system, each advertiser can influence the likelihood that traffic is driven to its own platform. Advertisers can reach a broad global audience while generating targeted, transaction-ready referrals.

2.4.4. Key benefits for users

2.4.4.1. Global aggregation of real-time hotel supply

We aggregate hotel availability from a range of advertisers globally. This supply is continually updated in or near real time, so users can view current availability from a broad range of advertisers. We believe travelers use our hotel search platform as their entry point for hotel research, confident that they receive comprehensive coverage of their options to book a hotel.

2.4.4.2. Tailored hotel search function

Our search function is designed to enable individual users to find their ideal hotel. We personalize results based on a user's search terms, selected filters and other interactions with our sites and apps. In addition, we aggregate and analyze multiple sources of information to build a profile for each individual hotel. Our search algorithms, which are refined by millions of searches each day, create matches amongst the two sets of information.

2.4.4.3. Transparent price comparison

Our algorithm selects the lowest available price for each hotel and displays room types with a broad range of pricing options available from our advertisers. This reduces the need for travelers to spend time searching across multiple sites and apps to confirm the lowest available rate.

2.4.4.4. Deep content and easy-to-use information on hotels

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

2.4.5. Key benefits for advertisers

2.4.5.1. Broad traveler reach

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

2.4.5.2. Delivery of transaction-ready referrals

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

2.4.5.3. Market-driven, referral-based pricing structure

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

2.4.5.4. Improve advertisers' competitiveness

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

2.4.6. Our strengths

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

2.4.6.1. Industry-leading product and user experience

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

2.4.6.2. Significant scale

We have achieved significant scale, with approximately 1.4 million hotels available on our platform as of December 31, 2016, supported by 55 localized versions of our websites and apps served in 33 languages. Additionally, we believe we work with almost all significant international, regional and local OTAs. Our business benefits from our engaged and often long-established relationships with local advertisers globally. In the year ended December 31, 2016, we had 535.3 million qualified referrals. Bringing together advertisers and users at this scale creates powerful network effects, improving the quality of the trivago experience for all parties.

2.4.6.3. Powerful data and analytics

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

2.4.6.4. High brand recognition and user loyalty

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

2.4.6.5. Scalable business model

We have a scalable business model that enables us to grow rapidly and efficiently. We can expand within current markets as well as into new markets, while incurring limited incremental investment in infrastructure, benefiting in part from our existing scale and a common global platform.

2.4.6.6. Employees and culture

We believe that our entrepreneurial culture and flat organizational structure are key ingredients in our success. These have been designed to reflect the fast moving technology space in which we operate, as well as our determination to remain pioneers in our field. Our employees act as entrepreneurs in their areas of responsibility, continuously striving for innovation and improvement. We encourage our employees to regularly take on new challenges within the company to broaden their perspectives, 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 continually seek to understand and learn, take risks and innovate. We regard failure as an opportunity to learn and inform improved approaches going forward.

2.4.7. Our strategy

Our strategy is shaped by our mission ***"to be the traveler's first and independent source of information for finding the ideal hotel at the lowest rate."*** We run our business and set our priorities and strategy according to our mission.

2.4.7.1. ... traveler's...

We designed our hotel search platform to be useful for every traveler with every reason to travel. We focus on continuing to optimize our websites and apps, ensuring their intuitive navigation and high performance.

2.4.7.2. ... first...

We want to be the starting point for travelers seeking to discover their ideal hotel at the lowest rate. We believe we provide a valuable service to travelers, allowing them to quickly and effectively navigate a crowded hotel booking ecosystem. We intend to be each traveler's first source of hotel information by growing our engagement with travelers through continuous investment in both online and offline marketing to build our brand efficiently and drive strong user acquisition and retention. We plan to continue enhancing our mobile offerings and user engagement on mobile devices, thereby further increasing access for travelers to our services anytime and anywhere.

2.4.7.3. ... and independent...

We believe we have created a hotel search platform that is fair and transparent for users, offering them a powerful tool to easily access information in the complex hotel market. We provide users the information so they can independently decide where to stay.

2.4.7.4. ... source of information...

We focus on providing information to our users rather than selling them products or services. We support travelers' searches by aggregating hotel information from across the Internet and displaying it in a simple, easy to navigate format. We also intend to continue growing our number of direct relationships with hotels, thereby increasing the volume and quality of information we can provide to travelers. We believe that it is crucial to the success of our user experience that we provide comprehensive, relevant and easily accessible information.

2.4.7.5. ... finding the ideal...

We believe there is an ideal hotel for every traveler. We aim to continuously optimize our search algorithms to consistently deliver hotel suggestions to each of our users for each specific stay so they can find their ideal hotel . While we believe we offer a best-in-class hotel search experience, we acknowledge there is the opportunity for further innovation in the areas of search personalization and hotel categorization and rating. We are investing in new technologies like semantic search to continuously improve our users' discovery experience and may explore additional technology-led acquisitions going forward.

2.4.7.6. ... hotel...

We are focused on the hotel sector. Our marketplace and algorithms are optimized to display and match users with specific hotel characteristics. As our technology is advancing and traveler preferences are shifting, we increasingly complement our traditional hotel offerings with other forms of accommodation, such as vacation rentals and private apartments that are relevant to our users.

2.4.7.7. ... at the lowest rate.

Providing the lowest rate to our users is at the core of what we do. Our ability to provide pricing transparency by identifying the lowest available rates from our advertisers is driven in part by the large number of advertisers on our marketplace. As we continue building out our advertiser base globally and supporting advertisers in efficiently using our marketplace, this should help provide travelers with consistently low prices across our supply of available hotels.

2.4.8. Our products and services

2.4.8.1 Products for travelers

Our free to use, online search platform is designed to help travelers find their ideal hotel at the lowest available price. As a hotel search website, users do not book directly on our platform. When they click on an offer for a hotel room at a certain price, they are referred to our advertisers' websites where they can complete their booking. We maintain one of the largest searchable databases of hotels in the world. As of December 31, 2016, our database included approximately 1.4 million hotels, gathered through OTAs, hotel chains and independent hotels.

Our users initially search via a text-based search bar function, which supports searches across a broad range of criteria. This leads through to a listings page that displays search results and allows for further refinement based on more nuanced filters. Additionally, we enhance our users' experience by giving them the choice to display their search results in listings or map formats.

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

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

- *Hotel information*: We display information such as hotel name, pictures, amenities, star rating and distance to selected location;
- *trivago ratings*: We aggregate millions of ratings from across the Internet to come up with our trivago rating, a 100-point score and a related trivago rating "face," from "sad red" for "below average" to "very happy green" for "excellent." Our ratings provide a single, aggregated snapshot providing our users valuable insight while saving them time;
- *Reviews*: We provide reviews from third parties in a clear and concise format; and
- *Price comparison*: We prominently display the "top deal" for a hotel, while also listing all other available offers from our advertisers in list format, including room types, amenity and payment options.

The data we show for each hotel combines aggregated publicly available information, as well as information sourced directly from hotels in a unique, user-friendly format.

Our products are accessible anytime and anywhere, online and on mobile devices. We provide our services through mobile websites and apps. m.trivago.com is our mobile-optimized website accessible on mobile device browsers, and our full-featured native mobile app is available on iPhone, iPad, Android Phone and Android Tablet.

2.4.8.2. Marketing tools and services for advertisers

We provide advertisers with a marketplace through which they can reach a large base of transaction-ready travelers. Our ability to capture user intent and our CPC-based bidding model make our marketplace an effective channel for our advertisers. Additionally, we work with our advertisers to help define their target spend and objectives, ensuring that these are effectively captured on our marketplace.

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

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

- *trivago Hotel Manager "Basic,"* a free administration tool specifically for hotels, helping them build and manage a unique hotel profile on trivago to enhance their profile. This includes the ability to manage visual and static content, including adjusting contact details, pictures, amenities and service listings, as well as refining descriptions. Using the Hotel Manager tool, each hotel can ensure that our marketplace accurately captures their offerings, helping attract guests.
- *trivago Hotel Manager "Pro*," which is sold on a one-year subscription basis and allows hotels to enhance their profile with more advanced features and functionalities. With Hotel Manager Pro, hotels can increase promotion with exclusive

news about their hotel and prominent contact details, helping them stand out and drive more bookings. Furthermore, we provide hoteliers with additional analytics about who searches for them as well as benchmarking against their competition.

- *trivago Hotel Manager "Direct Connect*," which enables independent hotels to publish their website rates directly on their profiles, helping them to increase direct bookings and their prominence in our marketplace. Hotels set a monthly budget, and we create an optimized marketing campaign, automatically calculating CPC bids that are competitive with other advertisers and seek to increase referrals. A dedicated team of marketing experts is available via email or phone to support hotels.

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

- *trivago Intelligence*, which provides holistic control for our advertisers that wish to closely manage and analyze their advertising on our marketplace. It allows them to bid on individual hotels with a high degree of granularity and control, provides metrics and feedback on specific advertising campaigns and offers advice to optimize bidding strategy and drive additional referrals.
- *Automated Bidding*, which allows OTAs, hotel chains and independent hotels to bid efficiently on listings. Advertisers are able to decide the traffic volumes or return on advertising investment they wish to reach and the tool will automatically set and adjust bids according to the target. We believe this is an especially valuable tool for advertisers that are less familiar with online bidding models, although it is our belief that larger, more experienced advertisers will also increasingly value the efficiency Automated Bidding provides.
- *Express Booking*, which is developed to help our advertisers drive bookings by providing the option of an easy check-out engine within our marketplace. Although the booking information is completed on our site, the advertiser processes payment directly, confirms the booking and provides any booking support. We also prominently feature the brand of the advertiser taking the booking, allowing our advertisers to continue to build their own brand within our marketplace.
- *Direct Connect for Chains*, which enables hotel chains to publish rates from their website directly on their inventory using their existing Central Reservation System and Internet Booking Engine. This helps them increase direct bookings and their prominence on our marketplace. Hotel chains that run direct connect campaigns also get access to Automated Bidding and Express Booking tools.

2.4.9. Our customers

Customers that pay to advertise on trivago include:

- OTAs, including large international players, as well as smaller, regional and local OTAs;
- Hotel chains, including large multi-national hotel chains and smaller regional chains;
- Independent hotels; and
- Industry participants, including metasearch and content providers.

We generate the large majority of our revenue from OTAs. Certain brands affiliated as of the date hereof with our majority shareholder, Expedia, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif and ebookers, in the aggregate, accounted for 39% and 36% of our total revenue for the years ended December 31, 2015 and 2016, respectively. The Priceline Group and its affiliated brands, Booking.com and, through 2015, Agoda, accounted for 27% and 43% of our total revenue for the years ended December 31, 2015 and 2016, respectively.

Nearly all of our agreements with advertisers, including our agreements with our three largest advertisers, may be terminated at will or upon three to seven days' prior notice by either party. Although the bulk of our revenue comes from three large OTAs, we have a large number of advertisers on our marketplace, which we believe helps to limit dependence on any one advertiser or group of advertisers.

2.4.10. Competition

We operate in a highly competitive market. Travelers have a range of options to find and book hotel rooms and other accommodations, both offline and online. Similarly, OTAs, hotel chains and independent hotels advertise their rooms through both offline and online channels. While we face competition from offline and online channels, we believe that we compete favorably due to our differentiated user and advertiser propositions.

2.4.10.1. Competition for users

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

Our principal competitors for users include:

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

2.4.10.2. 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. While we compete with OTAs, hotel chains and independent hotels for user traffic, these parties also represent the key contributors to our supply. Because we primarily refer our users to advertisers' websites, we do not believe that we compete directly with advertisers for bookings.

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 Baidu, Bing, Google and Yahoo!;
- Online metasearch and review websites, such as Kayak, Qunar and TripAdvisor;
- 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.

2.4.11. Technology and infrastructure

2.4.11.1. Data and proprietary algorithms

We process a large amount of user data from public sources, user traffic, 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.

2.4.11.2. Infrastructure

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

2.4.11.3. Software

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

2.4.12. Marketing

We believe that building and maintaining the trivago brand and clearly articulating our value proposition will drive both travelers and advertisers to our platform. We focus our marketing teams and spend towards building effective messaging to a broad audience. We take a data-driven, testing-based approach, where we use our proprietary tools and processes to measure and optimize performance end to end, starting with the pretesting of the creative and ending with the optimization of media spend. We have built in-house tools that capture data and calculate our return on investment on almost every element of our brand and performance marketing.

We invest in brand marketing globally across a broad range of media, including TV marketing, video marketing (such as YouTube), radio and out-of-home advertising. The amount and nature of our marketing spend varies across our markets, depending on multiple factors including cost efficiency, local media dynamics, size of market and our existing brand presence in that market.

We are active in online performance marketing channels, continuously optimizing each advertisement through dedicated tests. We also generate hotel content as a means of engaging with travelers, which is distributed online including via social media.

2.4.13. Sales

We have dedicated sales teams that manage the process of onboarding advertisers, maintain ongoing relationships with advertisers, work with advertisers to ensure they are optimizing their outcomes from the trivago platform and provide guidance on additional tools and features that could further enhance advertisers' experience. We seek to provide tailored advice to each of our advertisers, and thus have dedicated sales teams for OTAs, hotel chains and independent hotels.

We aim to maintain close dialogues with OTAs and sophisticated hotel chains to better understand each advertiser's specific needs and objectives in order to offer solutions to optimize their advertising through our marketplace.

Certain advertisers, including some independent hotels, are often less familiar with CPC bidding models and online advertising more broadly, so our process of relationship building can follow a longer sales cycle than is the case typically with OTAs. The starting point for these sales processes can be building their awareness of the relevance of our marketplace to their business, articulating the opportunities our independent platform offers, onboarding hotels by encouraging them to edit their information and profiles on our site, upselling more advanced products to further enhance their profiles, and encouraging hotels to start bidding directly on our marketplace. This often multi-stage process requires our sales team to develop close relationships with each hotel. As of December 31, 2016, over 240,000 hotels engaged through Hotel Manager directly with our platform, of which over 30,000 subscribed to Hotel Manager Pro.

2.4.14. Our employees and culture

We believe that our entrepreneurial corporate culture, flexible working hours and flat organizational structure are key ingredients in our success. These have been designed to reflect the fast moving technology space in which we operate, as well as our determination to remain pioneers in our field. Our employees act 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 continually seek to understand and learn, take risks and innovate. We regard failure as an opportunity to learn and inform improved approaches going forward.

Internally, we distill our values into six core qualities:

- *Trust*: We want to build an environment in which mutual trust can develop that gives employees the confidence to discuss matters openly and act freely.
- *Authenticity*: We aim to be authentic and appreciate constructive and straight feedback.
- *Entrepreneurial passion*: We believe that entrepreneurial passion drives us forward to continuously try out new and improved ways of thinking and doing.
- *Power of proof*: We believe that data, used correctly, can lead to empirical, proof-based decision making across the organization.
- *Focus*: We focus our energy on our mission of being the traveler's first and independent source of information for finding the ideal hotel at the lowest rate. This mission drives where we spend our time and focus. We believe that multiple small, incremental improvements towards this goal add up to long-term success.
- *Learning*: We never stand still and choose to remain open minded and inquisitive. We try new ideas and continue to challenge received wisdom.

2.4.15. Intellectual property

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

We have registered domain names for websites that we use in our business, such as www.trivago.com, www.trivago.de and www.trivago.co.uk. Our registered trademarks include: trivago, Room5, Youzhan and our trivago logo. These trademarks are registered in various jurisdictions.

2.4.16. Government regulation

trivago provides data and information to its advertisers and users and conducts 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 European Union are increasingly regulating certain activities on the Internet and online commerce, including the use of information retrieved from or transmitted over the Internet and user-generated content, are increasingly focused on ensuring user privacy and information security and limiting behavioral targeting and online advertising, and are imposing new or additional rules regarding the taxation of Internet products and services, the quality of products and services as well as the liability for third-party activities. Moreover, the applicability to the Internet of existing laws governing 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. As of May 25, 2018, a new EU data protection regime will become applicable that provides for a number of changes to the existing EU data protection regime, including imposing stricter requirements on companies that process personal data, stricter internal processes for the transparency of processed data, stricter requirements on computer safety measures and controls, and greater rights of individuals to demand, e.g., information on or the deletion of processed data. Certain breaches of the new regime impose fines up to €20 million, or 4% of the global turnover on a group basis, whichever is greater.

Many governmental authorities in the markets in which we operate are also considering alternative legislative and regulatory proposals that would increase regulation on Internet advertising. It is impossible to predict whether new taxes or regulations will be imposed on trivago's services, and whether or how trivago might be affected. Increased regulation of the Internet could increase the cost of doing business or otherwise materially adversely affect trivago's business, financial condition or results of operations.

2.4.17. Legal proceedings

In the ordinary course of business, we are a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of trivago. We also evaluate other potential contingent matters, including value-added tax, excise tax, sales tax, transient occupancy or accommodation tax and similar matters. As of December 31, 2015 and 2016, there were no material contingent matters or lawsuits.

2.4.18 Corporate social responsibility

trivago acknowledges the importance of corporate social responsibility and always aims to conduct its business in the most sustainable way. However, currently there are no significant themes in this respect.

3. Financial Overview

3.1. Selected financial data

The selected consolidated financial data for each of the years ended December 31, 2015 and 2016 have been derived from our audited consolidated financial statements and notes thereto set forth in Section 10 of this board report.

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

(in thousands, except share and per share data)

		2015		**2016**
Consolidated statement of operations:				
Sales	€	493,083	€	754,169
Cost of sales		2,968		4,280
Gross profit		**490,115**		**749,889**
Selling and distribution expenses		461,084		673,151
Technology and content		28,729		52,066
General and administrative expenses		17,333		54,234
Other operating income (expense)		(1,006)		(143)
Operating profit		**(18,036)**		**(29,705)**
Financial result		(142)		(133)
Profit before taxes		(18,179)		(29,838)
Income taxes		(8)		11,533
Loss for the year		**(18,171)**		**(41,371)**
Attributable to:				
Equity holders of the parent		(17,932)		(43,312)
Non-controlling interest		(239)		1,941
Weighted average shares of Class A and Class B common stock outstanding - basic and diluted				237,811
Earnings per share attributable to trivago N.V. available to Class A and Class B common stockholders - basic and diluted			€	0.0

3.1.1. Balance Sheet Data:

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

(in thousands)		**As of December 31, 2015**		**As of December 31, 2016**
Cash	€	17,556	€	227,298
Total assets		80,212		309,778
Total current liabilities		72,668		61,898
Total equity	€	5,015	€	247,287

3.1.2. Selected Consolidated Cash Flow Statement Data:

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

(in thousands)		**2015**		**2016**
Cash provided by (used in):				
Operating activities	€	(873)	€	31,279
Investing activities		(6,505)		(8,991)
Financing activities		18,824		187,507

3.1.3. Exchange Rate Information

We maintain our books and records in euros, and our reporting currency is in euros.

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of our ADSs on conversion of dividends, if any, paid in euro on the ADSs. The following table presents information on the exchange rates between the euro and the U.S. dollar for the periods indicated:

(U.S. dollar per €)	**Period-end**	**Average for period**	**Low**	**High**
Year ended December 31:				
2011	1.2973	1.3931	1.2926	1.4875
2012	1.3186	1.2859	1.2062	1.3463
2013	1.3779	1.3281	1.2774	1.3816
2014	1.2101	1.3297	1.2101	1.3927
2015	1.0859	1.1096	1.0524	1.2015
2016	1.0552	1.1072	1.0375	1.1516

You should not assume that, on that or any other date, one could have converted these amounts of euro into U.S. dollars at this or any other exchange rate.

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, 2015 and 2016 was €493.1 million and €754.2 million, respectively, representing an increase of 53% from 2015 to 2016. Our referral revenue for the years ended December 31, 2015 and 2016 was €490.2 million and €745.8 million, respectively. Referral revenue has grown by 52% year-over-year from 2015 to 2016. Our Americas and Rest of World segments were the main contributors to that growth, with year-over-year increases 88% from 2015 to 2016. Developed Europe also accelerated its year-over-year growth to 34% from 2015 to 2016, despite that it is the most mature out of the three segments. Developed Europe and Americas were the main contributors to an improved ROAS, which we believe indicates an increase in user loyalty in those segments. See Note 4 "Segment Information" for a further description of our geographical operating segments.

Our net losses for the years ended December 31, 2015 and 2016 was €18.2 million and €41.37 million respectively, representing an increase of 127.7% from 2015 to 2016.

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 in our search results and are referred to one of our advertisers. We call this our referral revenue. Each advertiser determines the amount that it wants to pay for each referral by bidding for advertisements on our marketplace. We also earn subscription fees for certain services we provide to advertisers, although such subscription fees do not represent a significant portion of our revenue.

Key metrics we use to monitor our revenue include return on advertising spend, or ROAS, the number of qualified referrals we make and the revenue we earn for each qualified referral, or RPQR.

3.2.2.2. Return on advertising spend

We track the ratio of our referral revenue to our advertising expenses, or return on advertising spend. We believe that ROAS is an indicator of the effectiveness of our advertising. Our ROAS was 113% and 120% for the years ended December 31, 2015 and 2016, respectively. Our ROAS in the Americas, Developed Europe and the Rest of World was 102%, 133% and 87% for the year ended December 31, 2015, respectively, as compared to 118%, 136% and 90% for the year ended December 31, 2016, respectively. We believe the development of our ROAS among the reportable segments is primarily related to the different stages of development of our markets. For example, in Developed Europe, where we have operated the longest on average, we have experienced the highest average ROAS. Our ROAS in the Rest of World segment, where we have the lowest average ROAS, is also impacted significantly by the number of markets in the segment, including markets that we have recently entered and thus require significant advertising spend to reach scale. Over time, as our markets continue to develop, we believe that we will experience further increases in the efficiency of our advertising spend and thus improvements in our average ROAS. Given that advertising expenses are the significant majority of our operating expenses, we believe this will have a direct impact on our adjusted EBITDA and operating margins.

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

Our ROAS by reportable segment for the years ended December 31, 2015 and 2016 was as follows:

	Year ended December 31,	
(unaudited)	**2015**	**2016**
Americas	102%	118%
Developed Europe	133%	136%
Rest of World	87%	90%

3.2.2.3. 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 in a day, but typically intends to only make one booking on a given day, we track and monitor the number of qualified referrals from our platform. We define a qualified referral as a unique visitor per day that generates at least one referral. For example, if a single visitor clicks on multiple hotel offers in our search results in a given day, they count as multiple referrals, but as only one qualified referral. While we charge advertisers for every referral, we believe that the qualified referral metric is a helpful proxy for the number of unique visitors to our site with booking intent, which is the type of visitor our advertisers are interested in and which we believe supports bidding levels in our marketplace. We had 334.6 million and 535.3 million qualified referrals for the years ended December 31, 2015 and 2016, respectively.

We believe the primary factors that drive our qualified referral development are the number of visits to our websites and apps, the booking intent of our visitors, the number of available hotels on our hotel 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 usability of our websites and apps and the degree of customization of our search results for each visitor. Ultimately, we aim to increase the number of qualified referrals we generate by focusing on making incremental improvements to each of these parameters. In addition to continuously seeking to expand our number of relationships with hotel advertisers, we partner with such hotels 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,	
(in millions) (unaudited)	**2015**	**2016**
Americas	87.1	149.1
Developed Europe	183.7	255.4
Rest of World	63.8	130.8
Total	334.6	535.3

3.2.2.4. Revenue per qualified referral (RPQR)

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

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

where

RPR = revenue per referral

click-out rate = referrals / qualified referrals

RPQR is determined by the bids our advertisers submit on our marketplace. The bidding behavior of our advertisers is influenced by the rate at which our qualified referrals result in bookings on the advertisers' sites, or booking conversion, and the amount our advertisers obtain from qualified referrals as a result of hotels booked on their sites, or booking value, and the degree to which advertisers are willing to share the overall booking value, or revenue share. We estimate booking conversion and booking value from data voluntarily provided to us by certain advertisers to better understand the drivers in our marketplace. Advertisers can analyze the number of referrals obtained from their advertisements on our marketplace, and the consequent value generated from a referral, to determine the amount they are willing to bid. Generally, the higher the potential value generated by a qualified referral and the more competitive the bidding, the more an advertiser is willing to bid for its advertisement. In early 2015, we changed our marketplace mechanics by introducing hotel-level CPC bidding. The change provides more flexible pricing options that allow advertisers to determine their CPCs for each hotel, rather than choosing from a pre-determined selection of possible CPCs for each hotel. Our current mechanism gives our advertisers the flexibility to optimize their bidding strategy, which we believe leads to a more efficient marketplace.

RPQR is a key financial metric that describes the quality of our referrals, the efficiency of our marketplace and, as a consequence, how effectively we monetize our users. For the years ended December 31, 2015 and 2016, RPQR was €1.46 and €1.39, respectively.

We use RPQR to help us detect and analyze changes in market dynamics. Each of our segments is impacted by segment specific dynamics. The following table sets forth the RPQR for our reportable segments for the periods indicated (based on referral revenue):

	Year ended December 31,		
RPQR (unaudited)	**2015**	**2016**	**2016 vs 2015**
Americas	€ 1.97	€ 1.92	(2.5)%
Developed Europe	1.41	1.37	(2.8)%
Rest of World	0.92	0.85	(7.6)%
Total	€ 1.46	€ 1.39	(4.8)%

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

	Year ended December 31,
% increase (decrease) in RPR (unaudited)	**2016 vs 2015**
Americas	7.7%
Developed Europe	6.8%
Rest of World	3.6%
Total	6.5%

	Year ended December 31,
% increase (decrease) in number of referrals (unaudited)	**2016 vs 2015**
Americas	54.6%
Developed Europe	23.5%
Rest of World	82.3%
Total	42.7%

% increase (decrease) in qualified referrals (unaudited)	Year ended December 31, 2016 vs 2015
Americas	71.2%
Developed Europe	39.0%
Rest of World	104.9%
Total	60.0%

% increase (decrease) in click-out rate referrals (unaudited)	Year ended December 31, 2016 vs 2015
Americas	(9.7)%
Developed Europe	(11.1)%
Rest of World	(11.0)%
Total	(10.8)%

3.2.2. Key factors of our growth

Our revenue increased by 53% for the year ended December 31, 2016 over 2015. The key factors affecting our growth include the following:

3.2.2.1 Advertising expense

For the years ended December 31, 2015 and 2016, we spent €432.2 million and €623.5 million on advertising, respectively, representing 87.6% and 82.7% of our total revenue for such periods. We believe that increasing brand awareness creates self-reinforcing value by resulting in a greater number of visits to our platform and referrals to our advertisers that encourage more OTAs and hotels to advertise their supply in our search results, which in turn makes our services more useful to users, further increasing the number of visits to our websites and apps and referrals to our advertisers. We believe that these investments contributed significantly to our revenue growth historically, although we expect deceleration in revenue growth rates in our more mature markets as our share in those markets increases and further advances in brand awareness become increasingly difficult and expensive to achieve. Increasing brand awareness and usage of our platform are important parts of our growth strategy, and at this time we expect to continue to invest in marketing at or in excess of current spend for the foreseeable future.

3.2.2.2. Global penetration

Our referral revenues from the Americas, Developed Europe and the Rest of World were 34.9%, 52.6% and 11.9% of our total revenue, respectively, for the year ended December 31, 2015 and were 38.0%, 46.3% and 14.7% of our total revenue, respectively, for the year ended December 31, 2016. We believe the relative growth in revenue across our reportable segments is primarily related to the different stages of development of our markets. We typically expect to have higher growth rates in newer markets than in markets where we have operated for a long time. We generate the most revenue in Developed Europe, our segment that includes the markets where we have operated the longest and where we have the highest brand awareness but relatively moderate growth. We expect our revenue in the Americas and the Rest of World to increase at a faster rate than revenue from the Developed Europe markets. We are focused on complementing our broad global footprint as we believe that global reach is important to our business. We continue to improve the localization of our websites and apps for each market in an effort to augment the user experience and to grow our user base globally. We invest heavily in marketing campaigns across our markets.

3.2.2.3. 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 June 2016, our revenue from mobile websites and apps exceeded our revenue from our desktop websites for the first time, which is consistent with an expected longer term shift towards mobile.

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

We have historically had, and currently have, a single bidding price structure for referrals from both desktop and mobile. We may choose to adopt a differentiated pricing model between mobile and desktop applications, which would likely lead to an increase in desktop revenue share, as the pricing for desktop applications would increase due to higher conversion rates, while the pricing for apps on mobile and tablets would likely decrease. We do not expect this to have a material impact on revenues, 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.

We believe mobile websites and apps will continue to gain popularity, and we expect to continue to commit resources to improve the features, functionality and conversion rates of our mobile websites and apps.

3.2.2.4. Advertiser diversification and direct relationships with hotels

We generate most of our revenue from a limited number of OTAs. Certain brands affiliated as of the date hereof with our majority shareholder, Expedia, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif and ebookers, in the aggregate, accounted for 39% and 36% of our total revenue for the years ended December 31, 2015 and 2016, respectively. The Priceline Group and its affiliated brands, Booking.com and Agoda, accounted for 27% and 43% of our total revenue for the years ended December 31, 2015 and 2016, respectively. We believe that our business success in the long term will be enhanced by diversification among our advertisers, in particular by means of expanding our direct relationships with independent hotels and hotel chains and continuing to act as a platform that enables travelers to book at the lowest rate regardless of whether hotel rooms are offered by smaller and local OTAs or independent hotels or by the leading international brands.

Advertiser diversification allows us to improve the user experience by expanding the depth of our hotel offerings to facilitate price transparency as well as to improve the content quality, availability and usability of our advertisers' offers, thereby increasing the value our users derive from our websites and apps. For example, some independent hotels and smaller hotel chains rely exclusively on their own websites and/or an OTA to distribute their offerings. Our engagement with such advertisers permits us to display an offer on behalf of that advertiser directly, making the offer accessible to our users, or increasing the number of offers if an accommodation was previously only available through an OTA. Direct engagement also permits an advertiser to have more control of the content and placement of its offer, since we are able to offer tools and assistance to optimize content and offer strategy on our marketplace. In addition, we recently began offering a booking engine product for our direct hotel relationships in order to make it easier for our users to book an accommodation online for an advertiser that did not otherwise have an online booking engine available.

We believe advertiser diversification could become more important if additional consolidation within the travel content marketplace occurs, as this could reduce the number of offers we have available on our platform for each hotel, which could, in certain geographies, cause our services to become less valuable to users. Correspondingly, with fewer bids for offers from a consolidated group of advertisers, our revenue per referral could decrease. We believe that as a result of the number of marketplace participants and the competition among various brands within consolidated OTAs, the impact of consolidation in our most relevant markets has historically been limited. Such markets have historically been sufficiently liquid to sustain competitive bid levels, such that if the top bidder leaves the platform, the next highest bidder moves into position to at least partially sustain our revenue. In less liquid geographies or if consolidation dynamics were to change, our initiative to connect hotels directly to our platform may mitigate, at least in part, a potential decrease in OTA marketplace participants. As of December 31, 2016, we had direct relationships with over 240,000 hotels, representing over 15% of the total number of hotels advertised on trivago.

3.2.3. Results of Operations

3.2.3.1. Revenue

Total revenue for year ended December 31, 2016 was €754.2 million, representing an increase of €261.1 million, or 53.0%, compared to the year ended December 31, 2015. Revenue from related parties for the year ended December 31, 2016 increased by €74.0 million, or 38.1%, compared to 2016, while revenue from third parties increased 62.6% for the same period. We believe the increase of revenue from third parties is due to higher bidding for advertising on our marketplace in 2016 compared to 2015 by third parties vs the Expedia group of companies, in the aggregate.

Our total revenue in the year ended December 31, 2016 consisted of referral revenue of €745.8 million and other revenue of €8.3 million. Our total revenue in the year ended December 31, 2015 consisted of referral revenue of €490.2 million and other revenue of €2.8 million.

Referral revenue in the year ended December 31, 2016 increased by €255.6 million, or 52.1%, compared to 2015. This growth was primarily due to an increase of 60.0% in the number of qualified referrals in the year ended December 31, 2016 compared to 2015. During the same period, RPQR decreased by 4.8%.

The breakdown of referral revenue by reportable segment is as follows:

	Year ended December 31,		% Change
(€ in millions)	**2015**	**2016**	**2016 vs 2015**
Americas	€ 171.9	€ 286.4	66.6%
Developed Europe	259.6	348.9	34.4%
Rest of World	€ 58.8	€ 110.5	87.9%

Referral revenue in the Americas in the year ended December 31, 2016 increased by €114.5 million, or 66.6%, compared to the year ended December 31, 2015. This growth was primarily due to an increase of 71.2% in the number of qualified referrals in the year ended December 31, 2016 compared to the year ended December 31, 2015. This growth was significantly impacted by growth in the United States, where we focused our marketing activities to further develop our visibility with advertisers and travelers. During the same period, RPQR in the Americas decreased by €0.05, or 2.5%, compared to 2015 even though RPR for the period increased by 7.7%. This was due to a decrease in the click-out rate of the period of (9.7)%, a consequence of our product optimization, which typically leads to fewer referrals per qualified referrals.

Referral revenue for Developed Europe in the year ended December 31, 2016 increased by €89.3 million, or 34.4%, compared to the year ended December 31, 2015. This growth was primarily due to an increase of 39.0% in the number of qualified referrals in the year ended December 31, 2016 compared to 2015. During the same period, RPQR in Developed Europe decreased by €0.04, or 2.8%, even though RPR increased by 6.8% for the period due to a reduction in the click-out rate for the period by (11.1)%.

Referral revenue for the Rest of World in the year ended December 31, 2016 increased by €51.7 million, or 87.9%, compared to the year ended December 31, 2015. This growth was primarily due to increase of 104.9% in the number of qualified referrals in the year ended December 31, 2016 compared to the year ended December 31, 2015. During the same period, RPQR in the Rest of World decreased by €0.07, or 7.6% even though RPR increased by 3.6% for the period due to a reduction in the click-out rate for the period by (11.0)%. Increased marketing in newer regions in our Rest of World segment, particularly in Japan, had a significant impact on our revenue growth in the segment for the year ended December 31, 2016 compared to the year ended December 31, 2015.

3.2.3.2.Cost of Revenue and Expenses

3.2.3.2.1. Costs of revenue, including related party

Our cost of revenue consists primarily of our data center costs, salaries and share compensation for our data center operations staff and our customer service team. Costs of revenue, including from related party, was €2.9 million and €4.3 million for the years ended December 2015 and 2016, respectively. Cost of revenue for the year ended December 31, 2016 increased by €1.4 million or 48.3% due to a €1.2 million increase in depreciation and maintenance of servers and a €0.2 million increase in personnel-related costs. The increase in personnel-related costs was primarily driven by increases in share-based compensation expense of €0.5 million due to fluctuations in the fair value accounting treatment of liability classified awards granted in prior periods. See *Note 9 - Share-based Payment plans* in the notes to our consolidated financial statements. The €0.5 million increase was partially offset by a €0.3 million decrease of other personnel-related costs due to a decrease in headcount from 39 employees as of December 31, 2015 to 26 employees as of December 31, 2016 due to reallocation of certain IT employees to G&A.

3.2.3.2.2. Selling and marketing

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

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

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

	Year ended December 31,		
(€ in millions)	**2015**	**2016**	**2016 vs 2015**
Advertising expense	€ 432.2	€ 623.5	44.3%
% of total revenue	87.7%	82.7%	
Other selling and marketing	25.7	38.8	51.0%
% of total revenue	5.2%	5.1%	
Share-based compensation	3.2	10.8	237.5%
% of total revenue	0.6%	1.4%	
Total selling and marketing expense	€ 461.1	€ 673.1	46.0%
% of total revenue	93.5%	89.3%	

Selling and marketing expenses for the year ended December 31, 2016 increased by €212.0 million, or 46.0%, compared to the year ended December 31, 2015, as we continue to invest in performance marketing and other advertising to increase our brand awareness in each of our three operating segments, the Americas, Developed Europe and the Rest of World.

Other selling and marketing expenses for the year ended December 31, 2016 increased €14.6 million, or 56.8%, compared to the year ended December 31, 2015 primarily due to an increase in headcount from 433 employees as of December 31, 2015 to 521 employees as of December 31, 2016.

Share-based compensation expense increased €7.6 million, or 237.5%, in the year ended December 31, 2016 compared to the year ended December 31, 2015, which was primarily driven by fluctuations in the fair value accounting treatment of liability classified awards granted in prior periods.

3.2.3.2.3. Technology and content

Technology and content expense is principally comprised of technology development, product development and content personnel and overhead, depreciation and amortization of technology assets including hardware, purchased and internally developed software and other costs (primarily licensing and maintenance expense).

	Year Ended December 31,		
(€ in millions)	**2015**	**2016**	**2016 vs 2015**
Personnel	€ 17.0	€ 24.0	41.2%
Share-based compensation, net of capitalized internal use software and website development costs	4.5	16.2	260.0%
Depreciation of technology assets	1.4	3.9	178.6%
Other	5.8	8.0	37.9%
Total technology and content	€ 28.7	€ 52.1	81.5%
% of total revenue	5.8%	6.9%	

Technology and content expense for the year ended December 31, 2016 increased by €23.4 million, or 81.5%, compared to the year ended December 31, 2015, primarily due to an increase of €11.7 million, or 260.0% in share-based compensation expense driven by fluctuations in fair value accounting treatment of liability-classified awards granted in prior periods, and an increase in personnel costs of €7.0 million, or 41.2% to support key technology projects primarily for our corporate technology function which resulted in an increase in headcount from 381 employees as of December 31, 2015 to 499 employees as of December 31, 2016. The increase of other costs for the year ended December 31, 2016 was due to increase in content costs of, third party website content costs, rent expense and higher overhead costs due to increased headcount.

3.2.3.2.4. 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, shared services costs calculated and allocated by Expedia to us, and professional fees for external services including legal, tax and accounting, and other costs including rent, depreciation and other overhead costs.

	Year ended December 31,		% Change
(€ in millions)	**2015**	**2016**	**2016 vs 2015**
Personnel	€ 5.4	€ 9.8	81.5%
Share-based compensation	5.2	26.7	413.5%
Related party shared services allocation	2.8	4.2	50.0%
Professional fees and other	3.9	13.5	246.2%
Total general and administrative	€ 17.3	€ 54.2	213.3%
% of revenue	3.5%	7.2%	

General and administrative expense for the year ended December 31, 2016 increased by €36.9 million, or 213.3%, compared to the year ended December 31, 2015, primarily due to an increase of €21.5 million of share-based compensation expense primarily driven by fluctuations in the fair value accounting treatment of liability classified awards granted in prior periods. Professional fees and other for the year ended December 31, 2016 increased by €9.6 million, or 246.2% compared to the year ended December 31, 2015, a significant portion of which was due to an increase of €5.1 million in professional fees incurred primarily in conjunction with the preparation of the Registration Statement filed with the SEC on December 5, 2016 as part of our IPO, including consolidated U.S. GAAP financial statements and related audits. Other factors contributing to the increase included an increase in bad debt expense of €2.0 million and higher overhead costs due to increased headcount of €1.4 million.

Personnel costs for the year ended December 31, 2016 increased by €4.4 million, or 81.5%, compared to the year ended December 31, 2015, primarily driven by an increase in headcount from 121 employees as of December 31, 2015 to 187 employees as of December 31, 2016. Further, we incurred increased related party shared service costs of €1.4 million, or 50.0% primarily attributable to an increase in legal, tax, treasury, audit and corporate reorganization costs performed by Expedia on our behalf of €0.8 million and an increase in IPO and corporate reorganization costs of €0.6 million pushed down by Expedia.

3.2.3.2.5. Operating loss

Our operating loss was €29.7 million for the year ended December 31, 2016 compared to an operating loss of €18.0 million for the year ended December 31, 2015. The operating loss decreased primarily due to higher growth in revenue combined with a lower amortization of intangible assets, partially offset by increased costs and expenses, particularly relating to share-based compensation primarily driven by fluctuations in the fair value accounting treatment of liability classified awards granted in prior periods.

3.2.3.2.5. Interest expense

Interest expense remained consistent at €0.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015.

3.2.3.2.7. Other, net

Other, net is primarily comprised of foreign exchange losses of €1.0 million and €0 million for the years ended December 31, 2015 and 2016, respectively, as well as other expenses of €0.2 million for the year ended December 31, 2016 and a reversal of an indemnification asset related to an uncertain tax position and related interest of €1.7 million for the year ended December 31, 2015.

3.2.3.3. Expense (benefit) for income taxes

Our effective tax rate was 0,04% in 2015 and -38,5% in 2016. This is mainly due to non-deductible share-based compensation of (pre-tax) €14.2 million in 2015 and €54.5 million in 2016. Furthermore, corporate costs were pushed down from Expedia of (pre-tax) €2.8 million for 2015 and €4.2 million for 2016, which are non-deductible for tax purposes. Other differences relate to one-off items during the year. In 2015, €520 thousand of the total €852 thousand was related to the nontax deductible expense for the release of a contingent asset at the level of trivago GmbH. In 2016, €1.9 million is related to tax losses of the current year for which no deferred tax asset was recognized (valuation allowance).

3.2.4. Seasonality

We experience seasonal fluctuations in the demand for our services as a result of seasonal patterns in travel. For example, hotel 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 fourth quarter of the year as we typically expect to advertise less in the fourth quarter due to relatively higher cost of advertising in the period. 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. The continued growth of our offerings in countries and areas where seasonal travel patterns vary from those described above may influence the typical trend of our seasonal patterns in the future.

3.2.5. Liquidity and Capital Resources

On September 5, 2014, we entered into an uncommitted credit facility with Bank of America Merrill Lynch International Ltd. with a maximum principal amount of €10.0 million. Advances under this facility bear interest a rate of LIBOR 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. On December 19, 2014, we entered into an amendment to this facility pursuant to which the maximum principal amount was increased to €50.0 million. We utilized €20.0 million of our €50.0 million credit facility to fund capital requirements in 2015. During the year ended December 31, 2016, we utilized €20.0 million under our credit facility and subsequently repaid a total of €40.0 million of this obligation.

IPO net proceeds of €207.8 million lead to an increase in the cash position to €227.3 million at year end.

Our known material liquidity needs for periods beyond the next twelve months are described below in “10. Other Financial Obligations” We believe that our cash from operations, together with our credit facility and cash balance are sufficient to meet our ongoing capital expenditures, working capital requirements and other capital needs for at least the next twelve months.

The following table summarizes our cash flows for the years ended December 31, 2015 and 2016:

	Year Ended December 31,	
(€ in millions)	**2015**	**2016**
Cash flows from/(used in) operating activities	(0.9)	31.3
Cash flows used in investing activities	(6.5)	(9.0)
Cash flows from financing activities	18.8	187.5

3.2.5.1. Cash Flows Provided by/(Used in) Operating Activities

For the year ended December 31, 2016, net cash provided by operating activities increased by € 32.1 million. This was primarily due to an increase in operating income from 2015 to 2016 and a change from a working capital deficit in 2015 to a working capital benefit in 2016.

3.2.5.2. Cash Flows Used in Investing Activities

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

3.2.5.3.Cash Flows Provided by/(Used in) Financing Activities

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

3.2.6. Research and Development

We do not currently conduct any research and development activities (as defined under IFRS).

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. 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 ADSs. 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 "*3.2.2. Key factors of our growth*" and "*3.2.5. Liquidity and Capital Resources*" as well as Note 8 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, other than the material weakness described in the risk factor in section 4.2.2. The risk management and control systems have not been materially revised during the fiscal year to which this board report pertains. and 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.

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 9, 2017, and the following risk factors which we face and which are faced by our industry. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This 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 chapter 4.2.2 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.

- Our failure to manage our growth effectively could negatively affect our corporate culture, harm our ability to attract and retain key personnel and adversely impact our results of operations and future growth.
- We may not be able to maintain our historical growth rates in future periods.
- We are dependent on economic conditions and declines in travel or discretionary spending generally could reduce the demand for our services.

- Increasing competition and consolidation in our industry could result in a decrease in the amount and types of hotel information we display, the value of our services to users and a loss of users, which would adversely affect our business, financial performance and prospects.
- We could be adversely affected by our advertiser concentration and the geographic concentration of our user base.
- We are subject to counterparty default risks.
- We may be unable to maintain and increase brand awareness, which could limit our ability to maintain our current financial performance or achieve additional growth.
- If we are unable to maintain or establish relationships with advertisers, or if advertisers choose to reduce or even eliminate the fees they pay us, our financial performance could be materially adversely affected.
- We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate our material weakness or if we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our securities.
- We rely on search engines, which may change their business models or search engine algorithms in ways that could have a negative impact on our business, financial performance and prospects.
- We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to invest in and adapt to technological developments and industry trends could harm our business.
- 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 revenues and results of operations could suffer.
- 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.
- Our global operations involve additional risks and our exposure to these risks will increase as our business continues to expand.
- We are subject to risks associated with a corporate culture that promotes entrepreneurialism among its employees, decentralized decision making and continuous learning.
- Expedia 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's interests may conflict with our interests, the interests of the Founders and the interests of our shareholders, and conflicts of interest between Expedia, the Founders and us could be resolved in a manner unfavorable to us and our shareholders.
- We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.
- Seasonality may cause fluctuations in our results of operations.
- We have requested a tax ruling from the German tax authorities to confirm the tax neutrality of the post-IPO merger from a corporate income tax perspective. If such ruling does not confirm the tax neutrality to trivago GmbH, the post-IPO merger will most likely not be consummated, and the two-tier corporate structure would remain in place.

4.2.2. Risks related to our industry and business

Our failure to manage our growth effectively could negatively affect our corporate culture, harm our ability to attract and retain key personnel and adversely impact our results of operations and future growth.

Our entrepreneurial and collaborative culture is important to us, and we believe it has been a major contributor to our success. We may have difficulties maintaining our culture or adapting it sufficiently to meet the needs of our future and evolving operations as we continue to grow. In addition, our ability to maintain our culture as a public company, with the attendant changes in policies, practices, corporate governance and management requirements, and as a result of the corporate reorganization, may be challenged. Failure to maintain our culture could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have rapidly and significantly expanded our operations and anticipate expanding further as we pursue our growth strategy. Our workforce worldwide has grown from fewer than 300 employees as of December 31, 2012 to more than 1,230 employees as of December 31, 2016. Such expansion increases the complexity of our business and places a significant strain on our management, operations, technical systems, financial resources and internal controls over financial reporting functions. As a result, we may not be able to manage our expansion effectively. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ personnel in several geographic locations. We may not be able to hire, train, retain, motivate and manage required personnel, which may limit our growth, damage our reputation and may have a material adverse effect on our business, results of operations, financial condition and prospects. These pressures and challenges may be enhanced by our becoming a public company and the corporate reorganization.

We may not be able to maintain our historical growth rates in future periods.

Our 2015 revenue grew by 59% compared to 2014, and our 2016 revenue grew by 53% compared to 2015. While we expect our business to continue to grow, we may not be able to maintain our historical growth rates in future periods. Revenue growth may slow or revenues may decline for any number of reasons, including our inability to attract and retain users, decreased user spending, increased competition, slowing growth of the overall online hotel search market, the emergence of alternative business models, changes in government policies and general economic conditions. As the size of our user base continues to increase, we anticipate that the growth rate of our user base may decline over time. We may also lose users for other reasons, such as a failure to deliver satisfactory search results or transaction experiences or high quality services. In addition, even if our user base continues to grow, our revenues may not grow at the same rate or at all. If our growth rates decline, investors' perceptions of our business and business prospects may be adversely affected.

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

Our results of operations and financial prospects are significantly dependent upon travelers using 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 discretionary spending levels. Travel services tend to decline, along with the advertising budgets spent by hotels and other accommodation aggregators, during general economic downturns and recessions. Conditions that reduce disposable income or consumer confidence, such as an increase in interest rates (which, among other things, could cause consumers to incur higher monthly expenses under mortgages), unemployment rates, direct or indirect taxes, fuel prices or other costs of living, may lead users to reduce or stop their spending on travel or to opt for lower-cost products and services, and these conditions may be particularly prevalent during periods of recession, economic downturn or market volatility and disruption.

Any significant decline in travel, consumer discretionary spending or the occurrence of any of the foregoing conditions may reduce demand for our services, cause advertisers to become 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.

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

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

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

General competition

We operate in the highly and increasingly competitive travel industry. Many of our current and potential competitors, including hotels themselves (both hotel chains and independent hotels), global metasearch and review websites, such as Kayak and TripAdvisor, locally focused metasearch engines such as Qunar, Online Travel Agents, or OTAs, such as Booking.com, Ctrip and Brand Expedia, alternative accommodation websites, such as Airbnb and HomeAway, and other hotel websites, may have existed longer, may have larger user bases, may have a wider range products and services, 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. Metasearch websites are also expanding globally and are becoming increasingly competitive. 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. Many of these competitors may also offer user incentives, such as loyalty points or priority access to services, which may not be available if travelers book through third-party sites or services.

Advertiser competition

We compete for hotel advertising revenue with search engines, such as Baidu, Bing, Google and Yahoo!, which offer pay-per-click or pay-per-impression advertising services. These competitors may have significantly greater financial, technical, marketing and other resources than we do and large established user bases. In addition, we compete with newspapers, magazines and other traditional media companies that provide offline and online advertising opportunities for hotels. We expect to face additional competition as other established and emerging companies enter the hotel advertising market. Competition could result in higher traffic acquisition costs, lower “cost-per-click,” or CPC, pricing and reduced margins on our advertising services, loss of market share, reduced user traffic to our websites and reduced advertising by hotel companies and other accommodation advertisers on our websites. If fewer advertisers choose to advertise on our website, we will have less information available to display, which makes our services less valuable to users.

Advertiser consolidation

In addition, consolidation among advertisers, or a change to more coordinated or centralized marketing activities within OTA groups and hotel chains, could reduce the number of offers we have available in our marketplace for each hotel, which could cause our services to become less valuable and popular for users and could result in advertisers bidding less for offers or even terminating their relationships with us.

As a result, competition and consolidation, individually or in the aggregate, could result in higher traffic acquisition costs, reduced operating margins, loss of market share, reduced customer traffic to our websites and reduced advertising by OTAs and hotels on our websites. Furthermore, our CPC pricing for click-based advertising depends, in part, on competition among advertisers, with those paying higher CPCs generally receiving better advertising placement and more referrals from us. If our large customers become less competitive with each other, merge with each other, focus more on profit than on traffic volume, or are able to reduce CPCs, this would have an adverse impact on our CPCs which, in turn, may have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, competition and consolidation among our advertisers may cause some of them to have financial difficulties, default on or materially delay their obligations to pay us for services we have already provided or become insolvent. As a result, we may not be able to compete successfully against current and future competitors, and competition and/or consolidation among advertisers may have a material adverse effect on our business, results of operations, financial condition and prospects.

We could be adversely affected by our advertiser concentration and the geographic concentration of our user base.

Our advertiser base consists of OTAs, hotel chains and independent hotels, and we generate the large majority of our revenue from OTAs. Certain brands affiliated as of the date hereof with our majority shareholder, Expedia, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Hotwire, Wotif and ebookers, in the aggregate, accounted for 39% and 36% of our total revenue for the years ended December 31, 2015 and 2016, respectively. The Priceline Group and its affiliated brands, Booking.com and Agoda, accounted for 27% and 43% of our total revenue for the years ended December 31, 2015 and 2016, respectively.

In addition, our user base is geographically concentrated. A significant portion of our revenue comes from points of sale in a few markets, such as the United States, Germany, the United Kingdom, Spain and Italy. These markets accounted for 26.1%, 13.7%, 12.5%, 5.9% and 5.4% of our revenue for the year ended December 31, 2015, respectively, and 26.4%, 10.2%, 11.5%, 5.0% and 4.1% of our revenue for the year ended December 31, 2016, respectively.

This concentration of key customers and geographic concentration of our user base may impact our overall exposure to changes in economic and industry conditions, either positively or negatively, as these key customers and markets may be similarly affected by such conditions. The loss of any major customer, or a significant weakening in the business conditions and/or the financial conditions of OTAs and hotels generally or in the markets in which our revenue is concentrated, could result in significant decreases in revenue, as well as an increase in credit losses, and 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 not 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 have historically been very low. Because a majority of our accounts receivable are owed by three large OTAs, delays or a failure to pay by any of these advertisers could result in a significant increase in our credit losses, and we may be unable to fund our operations. 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. In the event of such default, we could incur significant losses, which could adversely impact our business, results of operations, financial condition and prospects.

We may be unable to maintain and increase brand awareness, which could limit our ability to maintain our current financial performance or achieve additional growth.

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 travelers using our websites and apps. Many of our competitors have more resources than we do and can spend more on advertising their brands and services. As a result, we are required to spend considerable amounts of money and other resources to preserve and increase our brand awareness and grow our business. 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 2009, we began a successful broad-reach TV marketing campaign. We expect to continue to invest in TV marketing campaigns in light of increased spending from competitors, our expansion into geographies where our brand is less well known, increasing prices and the increasing traffic share growth of search engines as destination sites for users. Such efforts may not maintain or enhance consumer awareness of our brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective or as efficient as they have been historically. We intend to continue expanding our operations globally, including in countries where we have limited operating experience that may have different competitive conditions and where travelers may have different travel preferences. Users in other countries may not be familiar with our brand, or may be less familiar with our brand than that of a competitor, and we may need to build brand awareness in such countries through greater investments in advertising and promotional activities. In addition, significant increases in the pricing of one or more of our marketing and advertising channels could increase our advertising expense or cause us to choose less effective marketing and advertising channels. TV advertising comprises a large percentage of our advertising expense and may have higher costs than other channels and which could have a material adverse effect on our profitability. If TV advertising becomes less effective or if we experience diminishing returns from TV advertising overall or in key markets, we may instead invest in other, more expensive channels, which may not be as successful. If we are unable to maintain or enhance consumer awareness of our brand or to generate demand in a cost-effective manner, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

We 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. If we lose the ability to use a domain name, we would be forced to incur significant expenses to market our services under a new domain name, which could substantially harm our business. In addition, our competitors could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere, and in some countries the top level domain name "trivago" is owned by other parties. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of, our brand or our trademarks or service marks. Protecting and enforcing our rights to our domain names and determining the rights of others may require litigation, which could result in substantial costs and diversion of management attention.

Our brands are subject to reputational risks and impairment.

We have developed our trivago brand through extensive marketing campaigns, website promotions, customer referrals and the use of a dedicated sales force. We cannot guarantee that our brand will not be damaged by circumstances that are outside our control or by third parties, such as hackers, or interfaces with their clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our activities. For example, the independent actors we rely on in various countries where we advertise have come to represent our brand, such as "Mr. trivago" in the United States and "the trivago girl" in Australia. The actions of such actors are not in our control, and negative publicity about such actors could affect our brand image. Also, it is possible that the use of testimonials in the advertising and promotion of our brands could have a negative impact on customer retention and acquisition if the reputation of the testimonial provider is damaged. 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.

If we are unable to maintain or establish relationships with advertisers, or if advertisers choose to reduce or even eliminate the fees they pay us, our financial performance could be materially adversely affected.

Our ability to attract users to our services depends in large part on providing a comprehensive set of search results and transparent pricing information. To do so, we maintain relationships with OTAs, hotel chains and independent hotels to include their data in our search results. The loss of existing relationships with advertisers, or our inability to continue to add new ones, may cause our search results to provide incomplete pricing, availability and other information important to users of our services. This deficiency could reduce user confidence in the search results we provide, making us less popular.

In addition, nearly 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. We cannot guarantee that our advertisers will continue to work with us. We may also be unable to negotiate access, pricing or other terms that are consistent or more favorable than our current terms. A failure to retain current terms or obtain more favorable terms with, or increase or maintain our relationships with, our advertisers may have a material adverse effect on our business, results of operations, financial condition and prospects.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate our material weakness or if we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our securities.

Our management is responsible for establishing and maintaining internal controls over financial reporting, disclosure controls, and complying 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. generally accepted accounting principles. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Prior to our initial public offering, we were a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting. In addition, we have historically prepared our books and records in accordance with the German Commercial Code (*Handelsgesetzbuch*), or German GAAP. Our books and records were then converted to U.S. GAAP, for purposes of our initial public offering, by accounting personnel who have limited experience in maintaining books and records and preparing financial statements in U.S. GAAP.

In connection with the preparation of our 2015 financial statements, we identified a material weakness, primarily related to the lack of sufficient accounting and supervisory personnel with the appropriate level of technical accounting experience and training necessary or processes and procedures, particularly in the areas of share-based compensation, build-to-suit lease accounting and internal use software and capitalization of website development costs and other complex, judgmental areas and consequently must rely on the assistance of outside advisors with expertise in these matters to assist us in our preparation of U.S. GAAP financial statements and our compliance with SEC reporting obligations. These deficiencies represent a material weakness in our internal control over financial reporting in both design and operation. During 2016, we appointed a chief financial officer who is responsible for identifying the staffing and resource needs of our company required to remediate the material weakness, however, it remained unremediated as of December 31, 2016. These individuals will be required to have sufficient experience in maintaining books and records and preparing financial statements in U.S. GAAP. We have already hired two experienced employees for Financial Reporting and an SEC inhouse counsel. Additionally, we will expand our accounting policies and procedures as well as provide additional training to our accounting and finance staff. While we are working to remediate the material weakness as quickly and efficiently as possible and expect to have remediated the material weakness during the year ending December 31, 2017, at this time we cannot provide an estimate of costs expected to be incurred in connection with implementing this remediation plan. These remediation measures may be time consuming, costly, and might place significant demands on our financial and operational resources. If we are unable to successfully remediate this material weakness, and if we are unable to produce accurate and timely financial statements, our financial statements could contain material misstatements that, when discovered in the future, could cause us to fail to meet our future reporting obligations and cause the price of our ADSs to decline.

We will not be required to make a formal assessment of the effectiveness of our internal controls over financial reporting until the year ending December 31, 2017. Even from the time such requirement applies, our management cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. For as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not.

If we are not able to establish and maintain an effective system of internal controls and otherwise implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may issue an adverse opinion due to ineffective internal controls over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result of misstatements or restatements in our financial statements or an adverse assessment by management or auditors about the effectiveness of our internal controls, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal controls system and the hiring of additional personnel. Any such action could negatively affect our results of operations and cash flow, harm our reputation and adversely affect the trading price of our ADSs.

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

We use Baidu, Bing, Google, Yahoo! and other Internet search engines to generate traffic to our websites, principally through the purchase of hotel-related keywords. We obtain a significant amount of traffic via search engines and therefore utilize techniques, such as search engine optimization and search engine marketing to improve our placement in relevant search queries. Google and other search engines frequently update and change the logic that determines the placement and display of results of a user's search. These changes could negatively affect the purchased or algorithmic placement of links to our websites. In addition, a significant amount of traffic is directed to our websites through our participation in display 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. Moreover, any of these providers could, for competitive or other purposes, alter their search algorithms or results, causing our websites to place lower in search results. 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.

We rely on information technology to operate our businesses 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.

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

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 revenues 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 competitors are constantly developing innovations in online hotel-related services and features. As a result, we must continue to invest significant resources in research and development in order to continuously improve the speed, accuracy and comprehensiveness of our services. We have invested, and in the future may invest, in new business strategies and services. These strategies and services may not succeed, and, even if successful, our revenues may not increase. If we are unable to continue offering innovative services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Changes in Internet browser functionality could result in a decrease in our overall revenues.

We generate revenues, in part, by redirecting users to our advertisers' websites. Changes in browser functionality may either prevent or limit our ability to redirect users to our advertisers. As a result, our revenue could decline if we are no longer able to offer this feature to our users.

The introduction of certain technologies may reduce the effectiveness of our services. For example, some of our services and marketing activities rely on cookies, which are placed on individual browsers when users visit websites. We use these cookies to optimize our marketing campaigns and our advertisers' campaigns, to better understand our users' preferences and to detect and prevent fraudulent activity. 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. Increased use of methods, software or apps that block cookies, or the disaffection of users resulting from our use of such marketing activities, may have an adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

Our brand, reputation and ability to attract and retain users to use our websites and apps depend upon the reliable performance of our network infrastructure and content delivery processes. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down the performance of our websites and apps, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our services on our websites and apps and prevent or inhibit the ability of users to access our services. Problems with the reliability or security of our systems could harm our reputation, and 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 the United States, Germany, Hong Kong and China. We either lease or own our servers and have service agreements with data center providers. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. Our systems are not completely redundant, so a failure of our system at one site could result in reduced functionality for our users, and a total failure of our systems could cause our websites or apps to be inaccessible by 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. 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.

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

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

We cannot guarantee that our existing security measures will prevent all security breaches, intrusions or attacks. A party, whether internal or external, that is able to circumvent our security systems could steal user information or proprietary information or cause significant disruptions to our operations. In the past, we have experienced “denial-of-service” type attacks on our system that have made portions of our website unavailable for periods of time. We may need to expend significant resources to protect against security breaches, intrusions, attacks or other threats or to address problems caused by breaches. Any actions that impact the availability of our website and 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 we expand the number of markets in which we operate and as the tools and techniques used in these types of attacks become more advanced. 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 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 penalties and sanctions as well as civil litigation.

We currently provide users with the option to complete certain hotel bookings by transferring users' details directly to the hotel's booking forms. In connection with facilitating these transactions, we receive and store certain personally identifiable information, including credit card information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including throughout the member states of the European Union as a result of European Commission Directive 95/46/EC and implementing legislation in effect in member states of the European Union. Government regulation of privacy and data security is typically intended to protect the privacy of personally identifiable information that is collected, processed and transmitted in or from the governing jurisdiction. Since we collect, process and transmit personally identifiable information in and from numerous jurisdictions around the world, we are subject to privacy, data protection and data security legislation and regulations in a number of countries around the world. We could be adversely affected if we fail to comply fully with all of these requirements. 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.

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

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our businesses, including those relating to hotels, the Internet and online commerce, Internet advertising and price display, consumer protection, anti-corruption, anti-trust and competition, economic and trade sanctions, tax, banking, data security and privacy. As a result, regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Unfavorable changes or interpretations could decrease demand for our services, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities.

For example, there 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 or transmitted over the Internet, display of certain taxes and fees, online editorial and user-generated content, user 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 more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Likewise, the SEC, U.S. Department of Justice and U.S. Office of Foreign Assets Controls, 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 relate to transactions with designated foreign countries, including Cuba, Iran, Sudan and Syria, and nationals and others of those countries, as well as certain specifically targeted individuals and entities. We believe that our activities comply with OFAC trade regulations and anti-corruption regulations, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. As regulations continue to evolve and regulatory oversight continues to increase, we cannot guarantee that our programs and policies will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or are found to be not in compliance for other reasons, we could be subject to monetary damages, civil and criminal monetary penalties, litigation and damage to our reputation and the value of our brand.

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

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 revenues. This has contributed to an increase in audit activity and harsher stances 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 judgment and estimation is 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 cash flows, 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 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” 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. Additional multilateral changes are anticipated in upcoming years. Any changes to national or international tax laws could impact the tax treatment of our earnings and adversely affect our profitability. We continue to work with relevant authorities and legislators to clarify our obligations under existing, new and emerging tax laws and regulations. Our effective tax rate in the future could also be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or the discontinuation of beneficial tax arrangements in certain jurisdictions.

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

We operate in a number of jurisdictions and intend to continue to expand our global presence, including in emerging markets. As of December 31, 2016, we derived 38.0% of our total referral revenue from our operations in the Americas, 46.3% of our revenue from our operations in Developed Europe and 14.7% of our revenue from our operations in the Rest of World. See Note 4 "Segment Information" for a further description of our geographical operating segments. In addition, our user base is geographically concentrated. A significant portion of our revenue comes from points of sale in a few markets, such as the United States, Germany, the United Kingdom, Spain and Italy. These markets accounted for 26.1%, 13.7%, 12.5%, 5.9% and 5.4% of our revenue for the year ended December 31, 2015, respectively, and 26.4%, 10.2%, 11.5%, 5.0% and 4.1% of our revenue for the year ended December 31, 2016, respectively. We face complex, dynamic and varied risk landscapes in the jurisdictions in which we operate. As we enter countries and markets that are new to us, we must tailor our services and business models to the unique circumstances of such countries and markets, which 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 of each country into which we expand, could slow our growth. Certain markets in which we operate have lower margins than more mature markets, which could have a negative impact on our overall margins as our revenues from these markets grow over time.

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

- currency exchange restrictions or costs and exchange rate fluctuations;
- exposure to local economic or political instability, threatened or actual acts of terrorism and security concerns in general;

- changing political conditions, including risk of rising protectionism, restrictions on immigration or imposition of new trade barriers;
- 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, including mobile devices, that may be more prevalent in certain global markets;
- difficulties in attracting and retaining qualified employees in certain international markets, as well as managing staffing and operations due to increased complexity, distance, time zones, language and cultural differences; and
- uncertainty regarding liability for services and content, including uncertainty as a result of local laws and lack of precedent.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could reduce the price of our ADSs.

We are a multinational company with worldwide operations, including significant business operations in Europe. In June 2016, a majority of voters in the United Kingdom in a national referendum elected to withdraw from the European Union. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict our access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European Economic Area overall could be diminished or eliminated. Any of these factors may have a material adverse effect on our business, results of operations, financial condition and prospects and reduce the price of our ADSs.

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

We conduct a significant and growing portion of our business outside the Eurozone. As a result, we face exposure to movements in currency exchange rates around the world. These exposures 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 euros 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 increasingly global nature of our business have made hedging these exposures more complex.

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. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees.

The Amended and Restated Shareholders' Agreement contains certain provisions that could result in the departure of certain of our senior management, including if Messrs. Schrömgens, Vinnemeier and Siewert, whom we collectively refer to as the Founders, collectively, hold less than 15% of our outstanding Class A shares and Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), they lose certain contractual rights to nominate members of our management board. In such case, our supervisory board may also request from the Founders, the resignation of members of the supervisory board who have been nominated by the Founders. In addition, the general meeting of shareholders, which is controlled by Expedia, has broad discretion to remove members of our management board with and without cause, irrespective of the Founders' holdings. If the general meeting of shareholders has reasonable cause, as defined in the Amended and Restated Shareholders' Agreement, for such removal, Expedia has the unilateral right, subject to certain exceptions, to purchase all of such member's shares. If the Founders and other members of our management board are removed, such removal could materially adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. In particular, the contributions of certain key senior management are critical to our overall success.

Competition for well-qualified employees in all aspects of our business, including software engineers and other technology professionals, is intense globally. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. Our software engineers and technology professionals are key to designing code and algorithms necessary to our business. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees and key senior management, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

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

We have delegated considerable operational autonomy and responsibility to our employees, including allowing certain employees flexible working hours that allow employees 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.

As a consequence, we may have less experienced people in key positions, and we rotate experienced employees to other jobs within the company. As our employees have significant autonomy, this could result in poor decision making, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our dual-class share structure with different voting rights, and certain provisions in the Amended and Restated Shareholders' Agreement, will 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 proposed dual-class share structure, holders of Class A shares will be entitled to one vote per share, while holders of Class B shares will be 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.

Following the completion of the post-IPO merger, assuming it occurs as contemplated, we expect Expedia to own 59.7% of our Class B shares and 64.7% of the voting power in trivago and its subsidiaries and the Founders will own approximately 34.3%, of the aggregate voting power of our issued and outstanding shares 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 and the Founders will 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 will limit your ability to influence corporate matters that holders of Class A shares may view as beneficial.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an "emerging growth company."

As a public company with ADSs traded on an exchange located in the United States, we incur legal, accounting and other expenses resulting from the reporting requirements of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and the Sarbanes-Oxley Act, the listing requirements of NASDAQ, the Dutch Corporate Governance Code 2008, or the DCGC, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires that we file annual and current reports with respect to our business, financial condition and results of operations. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Furthermore, establishing the corporate infrastructure demanded of a public company may divert our management's attention from implementing our growth strategy, which could prevent us from improving our business, financial condition and results of operations. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. In addition, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. These additional obligations could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

For as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We could be an emerging growth company for up to five years. Even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, in connection with the implementation of the necessary procedures and practices related to internal controls over financial reporting, we may identify deficiencies that we may not be able to remediate by December 31, 2017. Failure to comply with Section 404 could subject us to regulatory scrutiny and sanctions, impair our ability to grow our revenue, cause investors to lose confidence in the accuracy and completeness of our financial reports and negatively affect our share price.

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

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

In addition to the exemptions we rely on as a foreign private issuer, we also rely on the "controlled company" exemption under NASDAQ corporate governance rules. A "controlled company" under NASDAQ corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group or another company. Our principal shareholder, Expedia, 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 of 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.

Furthermore, because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. As a result, you may not be provided with the same benefits as a holder of shares of a U.S. issuer.

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

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2017.

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

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

Although we are not currently a party to any material legal proceedings, we may be involved from time to time in various legal proceedings, including, but not limited to, actions relating to breach of contract and intellectual property infringement that might necessitate changes to our business or operations. Regardless of whether any claims against us have merit, or whether we are ultimately held liable or subject to payment of damages, claims may be expensive to defend and may divert management's time away from our operations. If any legal proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations. Any adverse publicity resulting from actual or potential litigation may also materially and adversely affect our reputation, which in turn could adversely affect our results.

Companies in the Internet, technology and media industries are frequently subject to allegations of infringement or other violations of intellectual property rights. We are currently subject to several claims and may be subject to future claims relating to intellectual property rights. As we grow our business and expand our operations we may be subject to intellectual property claims by third parties. We plan to vigorously defend our intellectual property rights and our freedom to operate our business; however, regardless of the merits of the claims, intellectual property claims are often time consuming and extremely expensive to litigate or settle and are likely to continue to divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability or prevent us from operating our business or portions of our business. Resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or we may be required to cease using intellectual property of third parties altogether. Many of our agreements with hotels, OTAs and other partners require us to indemnify these entities against third-party intellectual property infringement claims, which would increase our defense costs and may require that we pay damages if there were an adverse ruling in any such claims. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

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

We have acquired businesses in the past, comprising myhotelshop GmbH, or myhotelshop, base7booking.com S.à r.l., or base7, and B264 GmbH, or Rheinfabrik. We expect to continue to evaluate a wide array of potential strategic transactions. We could enter into transactions that could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. The areas where we face risks in respect of potential acquisitions and integrations include:

- diversion of management time and focus from operating our business to acquisition diligence, negotiation and closing processes, as well as post-closing integration challenges;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- retention of employees from the businesses we acquire;
- responsibility for liabilities or obligations associated with activities of the acquired company before the acquisition;
- litigation or other claims in connection with the acquired company; and
- in the case of foreign acquisitions, the need to integrate operations across different geographies, cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

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

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

4.2.3. Risks related to our ongoing relationship with our shareholders

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

Expedia owned 87.4% of the economic and 98.6% of the voting rights attributable to the shares of trivago N.V. as of December 31, 2016. Following the completion of the post-IPO merger, assuming it occurs as contemplated, we expect Expedia to own 59.7% of our Class B shares and 64.7% of the voting power in trivago and its subsidiaries. As long as Expedia owns a majority of the voting power in us, and pursuant to certain rights it will be granted under the Amended and Restated Shareholders' Agreement, Expedia will be able to control many corporate actions that require a shareholder vote.

This voting control will limit the ability of other shareholders to influence corporate matters and, as a result, we may take actions that shareholders other than Expedia 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 generally has the right at any time to sell or otherwise dispose of any Class A shares and Class B shares that it owns, including the ability to transfer a controlling interest in us to a third party, without the approval of the holders of our Class A shares and without providing for the purchase of Class A shares.

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

Pursuant to the Amended and Restated Shareholder's Agreement, the Founders have contractual rights to exert control over certain aspects of our business. For example, as long as the Founders collectively maintain at least 15% of our outstanding Class A shares and Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), the Founders will have certain rights to veto decisions about certain corporate matters. These contractual rights will limit the ability of Expedia 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 at least 15% of our outstanding Class A and Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), the Founders who are then serving as managing directors have the ability to select the other managing directors and, as a result, the Founders and their appointees will comprise the body that has primary day-to-day operational control of the company. In addition, from the date that Mr. Schrömgens ceases to serve as chief executive officer for a period of three years, so long as a Founder is serving as chief executive officer and there is no set of circumstances that would constitute a reasonable cause, such Founder has the right to nominate a successor in its function of chief executive officer, subject to the approval of Expedia and thereafter, the supervisory board.

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

Various conflicts of interest between us, the Founders and Expedia could arise. Ownership interests of directors or officers of Expedia in our shares and ownership interests of members of our management board and supervisory board in the stock of Expedia, or a person's service as either a director or officer of both companies, could create or appear to create potential conflicts of interest when those directors and officers are faced with decisions relating to our company. In the years ended December 31, 2014, 2015 and 2016, Expedia accounted for 32%, 39% and 36% of our revenue, respectively.

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

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

Furthermore, disputes may arise between Expedia 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 arising from our initial public offering;
- the nature, quality and pricing of services Expedia agrees to provide to us;
- sales or other disposal by Expedia of all or a portion of its ownership interest in us; 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, 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. In addition, should Expedia choose not to guarantee any future indebtedness we may incur, the cost of such financing may increase or financing may not be available at all.

The services that Expedia provides to us may not be sufficient to meet our needs, which may result in increased costs and otherwise adversely affect our business.

Expedia is providing us with support for shared services related to corporate functions such as legal, tax, treasury, audit and corporate development and certain server hosting and other services. We expect Expedia to continue to provide certain services for a fee under formal and informal arrangements. However, Expedia will not be obligated to provide these services in a manner that differs from the nature of the service today, and thus we may not be able to modify these services in a manner desirable to us as a stand-alone public company going forward. Further, if we no longer receive these services from Expedia, we may not be able to perform these services ourselves, or find appropriate third-party arrangements at a reasonable cost, and the cost may be higher than that charged by Expedia.

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 and financial condition.

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

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

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

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

A substantial amount of our processes and technologies is protected by trade secrecy laws. In order to protect these technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secrecy rights against such parties. To the extent that our employees, contractors or other third parties with which we do business may use intellectual property owned by others in their work for us without our authorization, disputes may arise as to the rights in related or resulting know-how and inventions. Laws regarding trade secrecy rights in certain markets in which we operate may afford little or no protection to our trade secrets. The loss of trade secret protection could make it easier for third parties to compete with our services by copying functionality. 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 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 ownership of our Class A shares and ADSs

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

The market price for our ADSs is likely to be volatile, in part because our ADSs have little history of being publicly traded. 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;
- announcements by us or our competitors of significant business developments, acquisitions or expansion plans;
- changes in the prices paid to us by our customers or of our competitors;
- our involvement in litigation;
- our sale of ADSs or other securities in the future;
- market conditions in our industry;

- changes in key personnel;
- the trading volume of our ADSs;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

The stock markets, including NASDAQ, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many Internet companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Seasonality may cause fluctuations in our results of operations.

Our revenues and results of operations have varied significantly from quarter to quarter because our business experiences seasonal fluctuations in the demand for our services as a result of seasonal patterns in travel. For example, hotel 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 fourth quarter of the year as we typically elect to advertise less in the fourth quarter due to the relatively higher cost of advertising in the period. The current state of the global economic environment, combined with the seasonal nature of our business, makes forecasting future results of operations difficult. Because our business is changing and evolving, our historical results of operations may not be useful to you in predicting our future results of operations. In addition, discretionary advertising spending has historically been cyclical in nature, reflecting overall economic conditions as well as individual patterns. Our rapid growth has tended to mask the cyclicality and seasonality of our business. In the future, as our growth rate slows, we expect the cyclicality and seasonality in our business will become more pronounced and could result in material fluctuations of our revenues, cash flows, results of operations and other key performance measures from period to period and may affect the volatility of the price of our ADSs.

Future sales and/or issues of our ADSs, or the perception in the public markets that these 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. As of December 31, 2016, we had ADSs representing 30,026,635 Class A shares outstanding, 209,008,088 Class B shares outstanding and the Founders will have the right to exchange their units in trivago GmbH for 110,791,880 Class A shares or Class B shares. The ADSs sold in our initial public offering are freely tradable without restriction under the Securities Act, except for any of our ADSs that may be held or acquired by our management board members, supervisory board members, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

Our Founders, Expedia, members of our supervisory board and members of our management board have agreed, subject to specified exceptions, with the underwriters not to directly or indirectly sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open “put equivalent position” within the meaning of Rule 16a-l(h) under the Exchange Act; or otherwise dispose of any ADSs, options or warrants to acquire ADSs, or securities exchangeable or exercisable for or convertible into shares or ADSs currently or hereafter owned either of record or beneficially; or publicly announce an intention to do any of the foregoing for a period of 180 days after the date of our prospectus, which was December 16, 2016, without the prior written consent of J.P. Morgan Securities LLC.

All our ADSs outstanding as of the date of this annual report may be sold in the public market by existing shareholders 180 days after the date of our prospectus, which was December 16, 2016, subject to applicable limitations imposed under federal securities laws. Our Class B shares are convertible into Class A shares, which may be sold subject to certain restrictions.

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 do not publish research or publish inaccurate or unfavorable research about our business, our ADS price and trading volume could decline.

The trading market for our ADSs will depend 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. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our ADSs could decrease, which could cause our ADS price and trading volume to decline.

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

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

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

Under the deposit agreement for the ADSs, we may choose to appoint a proxy bank. In this event, the depositary will be deemed to have been instructed to give a proxy to the proxy bank to vote the Class A shares underlying your ADSs at shareholders' meetings if you do not vote in a timely fashion and in the manner specified by the depositary.

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

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

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

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

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

We are an "emerging growth company" and we cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies will make our ADSs less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We have elected to opt out of the extended transition period for complying with new or revised accounting standards under Section 107(b) of the JOBS Act and such election is irrevocable. We cannot predict if investors will find our ADSs less attractive if we rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and our ADS price may be more volatile.

We will continue to be deemed an "emerging growth company" until the earliest of a) the last day of the fiscal year during which we had total annual gross revenues of $1 billion or more; b) the last day of the fiscal year following our fifth IPO anniversary; c) the date on which, during the previous three-year period we have issued more than $1.0 billion in non-convertible debt; or d) the date on which we will be deemed to be a "large accelerated filer" under the Exchange Act.

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

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

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

As an entity incorporated under Dutch law, but with its place of effective management in Germany (and not in the Netherlands), our dividends are generally subject to German dividend withholding tax and not Dutch withholding tax. However, Dutch dividend withholding tax will be 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). We have applied for a tax ruling with Dutch Revenue confirming that no withholding of any Dutch dividend tax is applicable at all (as the dividend withholding tax can generally be credited against a Dutch resident shareholder's income tax anyway). Should we not obtain the tax ruling, we will be required to identify our shareholders and/or ADS holders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment to which the shares are attributable) in respect of which Dutch dividend tax has to be withheld. Such identification may not always be possible in practice. If the identity of our shareholders and/or ADS holders cannot be assessed upon a payment of dividend, withholding of both German and Dutch dividend tax from such dividend may occur.

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 German tax resident company, however, if we pay dividends, such dividends will be subject to German (and potentially Dutch) withholding tax. Currently, the applicable German withholding tax rate is 26.375% of the gross dividend. This German tax can be reduced to the applicable double tax treaty rate, which is generally 15%, however, by an application filed by the tax payer containing a specific German tax certificate with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). If a tax certificate cannot be delivered to the ADS holder due to applicable settlement mechanics or lack of information regarding the ADS holder, holders of the shares or ADSs of a German tax resident company may be unable to benefit from any available double tax treaty relief and may be unable to file for a credit of such withholding tax in its jurisdiction of residence. Further, the payment made to the ADS holder equal to the net dividend may, under the tax law applicable to the ADS holder, qualify as taxable income that is in turn subject to withholding, which could mean that a dividend is effectively taxed twice. The company is listing ADSs 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 Depository Receipts (ADR) auf inländische Aktien*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) dated May 24, 2013 (reference number IV C 1-S2204/12/10003), which we refer to as the 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 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.

Tax risks related to the corporate reorganization

We have requested a tax ruling from the German tax authorities to confirm the tax neutrality of the post-IPO merger from a corporate income tax perspective. If such ruling does not confirm the tax neutrality to trivago GmbH, the post-IPO merger will most likely not be consummated, and the two-tier corporate structure would remain in place. See "*2.2. Organizational structure*" for additional information regarding the corporate reorganization.

Dividends distributed by trivago GmbH/AG/SE to trivago N.V. (and to the Founders) would be subject to German withholding tax of 26.375% (including solidarity surcharge) at the level of trivago GmbH/AG/SE. At the level of the German tax resident trivago N.V., only 5% of the dividends distributed by and received from trivago GmbH/AG/SE after

January 2017 would be included as taxable income subject to German corporate income tax at a tax rate of 15.825% (including solidarity surcharge) currently and trade tax (*Gewerbesteuer*) at the applicable local tax rate of around 16% currently. However, the German withholding tax deducted by trivago GmbH/AG/SE would be credited against the German corporate income tax liability of trivago N.V. and, to the extent that the German withholding tax (26.375%) exceeds the German corporate income tax liability of trivago N.V., refunded with a potential time lag of up to two years. The effective tax rate on dividends received by trivago N.V. from trivago GmbH/AG/SE would thus amount to approximately 1.6% as a result of the two-tier corporate structure. This additional tax of approximately 1.6% also applies on constructive dividends in case of any transactions which are not at arm's length between trivago GmbH/AG/SE and trivago N.V. In the opposite direction there is a risk that any non-arm's length transactions in the two-tier corporate structure would be subject to German gift tax.

The company, trivago N.V., intends to provide management and legal advice to its subsidiaries in return for payment. The company should, according to our German tax counsel's view, be seen as an entrepreneur under the German Value Added Tax Act (*Umsatzsteuergesetz*). If the company does not qualify as an entrepreneur it cannot reclaim any input value added tax.

In case a Founder exercises his put option granted under the IPO Structuring Agreement, which was filed as Exhibit 4.2 to Amendment No. 1 to our Registration Statement on Form F-1 filed with the SEC on December 5, 2016 (File No. 333-214591), to exchange at book value all or parts of the shares of trivago GmbH/AG/SE for Class A shares or Class B shares of trivago N.V., the shares received by trivago N.V. as legal and/or beneficial owner in such share exchange by the respective Founder would be subject to a seven-year review period, during which the respective Founder will have to comply with certain notification obligations under the RTA. These notification obligations include, among others, annual filings evidencing ownership of the contributed shares on each of the first seven anniversaries of the contribution. The notification obligations end at the earlier of: (i) the end of the seven-year term and (ii) the time the respective Founder has sold all his remaining shares in trivago N.V. Failure by the respective Founder to comply with these notification obligations may result in a taxable gain for trivago N.V. 5% of such capital gain would be subject to German corporate income tax at a tax rate of 15.825% (including solidarity surcharge) currently and trade tax at the applicable local tax rate of around 16% currently at the level of trivago N.V. However, no notification obligation needs to be fulfilled (and no related tax risk for trivago N.V. arises) in case the respective Founder immediately sells all of its trivago N.V. shares or ADSs, as applicable, received in the share exchange.

The same notification obligations as described above would arise if the shares of trivago GmbH retained by the Founders in the contribution would be deemed to have been contributed into trivago N.V. by the Founders in the contribution from a tax perspective. Accordingly, failure by the Founders to comply with these notification obligations may result in a taxable gain for trivago N.V. 5% of such capital gain would be subject to German corporate income tax at a tax rate of currently 15.825% (including solidarity surcharge) and trade tax at the applicable local tax rate of currently around 16% at the level of trivago N.V.

Furthermore, expenses incurred by trivago GmbH and trivago N.V. relating to the IPO and the preceding reorganization measures may be regarded as incurred for the benefit of the shareholders. In such case, tax authorities may take the view to treat such expenses as not deductible for tax purposes and assess withholding tax at a rate of up to 26.375% on respective amounts.

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

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

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

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. 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. Please see section "*5.1 Dutch Corporate Governance Code*" for an explanation of deviations from the DCGC.

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.

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

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

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

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

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, Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings (which will be replaced by Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings as of June 2017). Should courts in another European country determine that the insolvency laws of that country 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 our management board and supervisory board. For example, such provisions include a dual-class share structure that gives greater voting power to the Class B shares owned by Expedia and possibly 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.

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

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

5. Corporate Governance

5.1. Dutch Corporate Governance Code

For the fiscal year ended 31 December 2016, the Dutch Corporate Governance Code 2008 (the "**DCGC**") applies to trivago. The text of the DCGC is publicly available on the website of the Dutch Corporate Governance Code Monitoring Committee:

http://www.commissiecorporategovernance.nl/dutch-corporate-governance-code.

We acknowledge the importance of good corporate governance. However, at this stage, we do not comply with all the provisions of the DCGC, to a large extent because such provisions conflict with or are inconsistent with the corporate governance rules of NASDAQ and U.S. securities laws that apply to us, or because such provisions do not reflect best practices of international companies listed on NASDAQ.

The 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.

- The DCGC recommends that all Supervisory Board members except one are independent within the meaning of the DCGC. A majority of our Supervisory Board members is independent. It is our view that given the nature of our business and the practice in our industry and considering our shareholder structure, it is justified that only 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 III.2.2 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.

- 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 may wish to deviate from this recommendation and grant equity awards to its Supervisory Board members.

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. 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.

5.4. Management Board

5.4.1. Members of Our Management Board and Supervisory Board

The following tables present information about our management board members and our supervisory board members including their ages and position as of the date of this board report. The current business addresses for the members of our management and supervisory boards is c/o trivago N.V., Bennigsen-Platz 1, 40474 Düsseldorf, Germany.

Name	Age	Position
Axel Hefer	39	Managing Director for Finance, Legal and International (chief financial officer)
Andrej Lehnert	48	Managing Director for Marketing and Business Intelligence
Rolf Schrömgens	40	Managing Director for Product, People and Culture (chief executive officer)
Malte Siewert	42	Managing Director for Marketplace
Johannes Thomas	29	Managing Director for Advertiser Relations and Business Operations and Strategy
Peter Vinnemeier	42	Managing Director for Technology

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

Axel Hefer was appointed as a managing director of the company in 2016, and has served as a managing director of trivago GmbH since 2016. 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 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.

Andrej Lehnert was appointed as a managing director of the company in 2016, and has served as a managing director of trivago GmbH since May 2015. Prior to joining trivago GmbH in 2011, Mr. Lehnert led his own Internet venture from 2008 to 2011, after having been with the William Wrigley Jr. Company from 2001 to 2008, lastly in the role of Director, Global Market Intelligence. Mr. Lehnert holds a degree of business administration from University Erlangen-Nuremberg.

Rolf Schrömgens was appointed as a managing director of the company in 2016, and has served as a managing director of trivago GmbH since 2005. 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).

Malte Siewert was appointed as a managing director of the company in 2016, and has served as a managing director of trivago GmbH since 2006. Prior to joining trivago GmbH, Mr. Siewert was an investment banker at HSBC Trinkaus und Burkhardt from 2001 until 2005 and Merrill Lynch in 2006. Mr. Siewert holds a diploma in management from Leipzig Graduate School of Management (HHL).

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

Peter Vinnemeier was appointed as a managing director of the company in 2016, and has served as a managing director of trivago GmbH since 2005. Prior to joining trivago GmbH, Mr. Vinnemeier was founder and VP Technology at ciao.com. Mr. Vinnemeier holds a diploma in management from Leipzig Graduate School of Management (HHL).

The Management Board met three times in 2016.

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 six members are male. In order to increase gender diversity of the management board, in accordance with article 2:166 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new management board members.

5.5. Supervisory Board

Name	Age	Gender	Nationality	First appointment	Term of office
Mieke S. De Schepper	41	F	Dutch	December 16, 2016	2019 AGM
Peter M. Kern	49	M	USA	December 16, 2016	2019 AGM
Dara Khosrowshahi (chairman)	47	M	USA	December 16, 2016	2019 AGM
Frédéric Mazzella	40	M	French	December 8, 2016	2019 AGM
Mark D. Okerstrom (vice chairman)	44	M	USA	December 16, 2016	2019 AGM
Niklas Östberg	36	M	Swedish	December 8, 2016	2019 AGM
David Schneider	34	M	German	December 8, 2016	2019 AGM

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

Mieke S. De Schepper has served as Vice President, Asia Pacific Market Management at Expedia Lodging Partner Services, a subsidiary of Expedia, Inc. since 2015. Prior to joining Expedia, Mrs. De Schepper served in various roles at Philips Electronics from 2005 to 2014, including as Country Manager, Singapore, Brunei, Myanmar and Mongolia at Philips Lighting from 2012 to 2014; as Asia Pacific Head of Philips Consumer Marketing & Sales, overseeing China, India, ASEAN and Pacific, from 2009 to 2012; and as Global Director of Consumer Marketing and Product Development within the Home Theater and DVD business in Singapore from 2007 to 2009. Prior to her service at Philips, Mrs. De Schepper was a consultant at McKinsey & Company from 2002 to 2004. Mrs. De Schepper has an M.B.A. from INSEAD and a Master's of Science in Industrial Design Engineering from Delft University of Technology.

Peter M. Kern has been a director of Expedia since completion of the IAC/Expedia spin-off. Mr. Kern is a Managing Partner of InterMedia Partners, 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. Since April 2013, Mr. Kern has served as Chairman of the Board of Directors of Hemisphere Media Group, Inc., a publicly traded Spanish-language media company. Mr. Kern is on the Board of Directors of Tribune Media Company. Mr. Kern also serves on the boards of a number of private companies, including Luxury Retreats International Holdings, Inc. and TV Squared Limited. Mr. Kern holds a B.S. degree from the Wharton School at the University of Pennsylvania.

Dara Khosrowshahi has been a director and the Chief Executive Officer of Expedia since completion of the IAC/ Expedia spin-off. Mr. Khosrowshahi served as director of TripAdvisor, Inc., from the TripAdvisor spin- off until February 2013. Mr. Khosrowshahi served as the Chief Executive Officer of IAC Travel, a division of IAC, from January 2005 to the IAC/ Expedia spin-off date. Prior to his tenure as Chief Executive Officer of IAC Travel, Mr. Khosrowshahi served as Executive Vice President and Chief Financial Officer of IAC from January 2002 to January 2005. Mr. Khosrowshahi served as IAC's Executive Vice President, Operations and Strategic Planning, from July 2000 to January 2002 and as President, USA Networks Interactive, a division of IAC, from 1999 to 2000. Mr. Khosrowshahi joined IAC in 1998 as Vice President of Strategic Planning and was promoted to Senior Vice President in 1999. Mr. Khosrowshahi worked at Allen & Company LLC from 1991 to 1998, where he served as Vice President from 1995 to 1998. Mr. Khosrowshahi is currently a member of the Boards of Directors of Fanatics Inc. and The New York Times Company.

Frédéric Mazzella founded and has served as the Executive Chairman of Comuta S.A. (BlaBlaCar) since 2006 and was Chief Executive Officer from 2006 to 2016. Mr. Mazzella holds an M.B.A. from INSEAD, a Master's degree in computer science from Stanford University and a Master's degree in physics from École Normale Supérieure.

Mark D. Okerstrom has served as Expedia's Chief Financial Officer and Executive Vice President of Operations since October 2014, and as Chief Financial Officer and Executive Vice President from September 2011 until October 2014, and Secretary from October 2011 until April 2012. He previously served as Senior Vice President of Corporate Development of Expedia since February 2009. Having joined Expedia in October 2006, Mr. Okerstrom had also previously served as Vice President, Corporate Development until February 2009 and as Senior Director, Corporate Development until February 2008. Prior to joining Expedia, Mr. Okerstrom was a consultant with Bain & Company in Boston and San Francisco, and worked with UBS Investment Bank in London. Prior to that, Mr. Okerstrom practiced as an attorney with the global law firm of Freshfields Bruckhaus Deringer in London. Mr. Okerstrom holds an M.B.A. from Harvard Business School and a law degree from the University of British Columbia.

Niklas Östberg has been the co-founder, Chief Executive Officer and a director of Delivery Hero Holding GmbH since May 2011. Mr. Östberg also serves as a director of Online Pizza Norden AB. Mr. Östberg holds a Master's degree from the Royal Institute of Technology in Stockholm, Sweden.

David Schneider has served as a director of Zalando SE since 2008. Mr. Schneider also serves as a director and limited partner of several private companies, including zLabels GmbH, La Plata GmbH, Kiefholzstraße Immobilien GmbH & Co.

KG, Hamburger Platz Immobilien GmbH & Co. KG and Anatwine Ltd. Mr. Schneider holds an M.B.A. from WHU-Otto-Beisheim School of Management in Vallendar, Germany.

The following members of the Supervisory Board are not independent for purposes of the DCGC: Mr. Khosrowshahi, Ms. De Schepper and Mr. Okerstrom.

The size and composition of our supervisory board and the combined experience and expertise of its members should reflect the best fit for trivago's profile and strategy, irrespective of gender. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in trivago, as of the date of this board report, having a supervisory board in which one of seven members is female. In order to increase gender diversity of the supervisory board, in accordance with article 2:166 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new supervisory board members.

5.6. 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 will 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. Pursuant to the Amended and Restated Shareholders' Agreement, four supervisory board members were selected by Expedia and three supervisory board members were selected by the Founders. Each supervisory board member was appointed for a term of three years.Our supervisory board members were appointed by the general meeting of shareholders upon the binding nomination by our supervisory board. Pursuant to the Amended and Restated Shareholders' Agreement, Expedia and the Founders have agreed that any new supervisory board member will be proposed for nomination by either Expedia or the Founders as applicable, dependent on which supervisory board member resigns, is not reappointed to, or is removed from the supervisory board. Expedia 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, Expedia and the Founders have agreed that Expedia may designate the chairman of the supervisory board, which chairman will be entitled to cast a tie-breaking vote.

The Supervisory Board met two times in 2016 and discussed, among other topics, its composition, the composition of its committees, the Company's various internal rules and policies, compensation matters and the IPO. Due to the relatively short existence of the Supervisory Board, it is not possible at this time to determine whether any of members were frequently absent from Supervisory Board meetings.

During the fiscal year to which this board report pertains, more in particular the period following the IPO, no evaluation of the Supervisory Board itself and its individual members, its committees and the Management Board and its individual members took place. This is due to the very limited period between the IPO and the end of the fiscal year to which this board report pertains (only two weeks). The Company aims to perform the aforementioned (self-)evaluations in the current fiscal year.

5.7. Committees

5.7.1. Introduction

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

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 Bennigsen-Platz 1, 40474 Düsseldorf, Germany.

5.7.2. Audit Committee and Audit Committee Financial Expert

The Audit Committee consists of Messrs. Kern, Östberg, and Schneider and assists the Supervisory Board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Kern serves as chairman of the committee. The Audit Committee consists exclusively of members of our Supervisory Board who are financially literate, and Mr. Kern 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:

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

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

During the fiscal year to which this board report pertains, more in particular the period following the IPO, there were no meetings of the Audit Committee.

5.7.3. Compensation Committee

The compensation committee consists of Mrs. De Schepper and Messrs. Khosrowshahi and Okerstrom and assists the Supervisory Board in determining the compensation of the Management Board and the Supervisory Board, in accordance with the compensation policy that has been determined by the General Meeting. Mr. Okerstrom serves as chairman of the committee. Under SEC and NASDAQ rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard Supervisory Board member fees. 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:

- identifying, reviewing and approving corporate goals and objectives relevant to management and Supervisory Board compensation;
- review and approve or make recommendations regarding our incentive compensation and equity-based plans and arrangements,
- review and discuss with management the compensation disclosures to be included in filings and submissions with the SEC.
- prepare an annual compensation committee report.
- report regularly to the Supervisory Board regarding its activities.

During the fiscal year to which this board report pertains, more in particular the period following the IPO, there were no meetings of the Compensation Committee.

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**"). A copy of the Compensation Policy is available on our website. 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, incentivise Management Board members 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.

6.2. Compensation of managing directors

See note 12 in the Notes to the Consolidated Financial Statements (section 10).

6.3. Compensation of supervisory directors

See note 12 in the Notes to the Consolidated Financial Statements (section 10).

7. Related Party Disclosures

For information on related party transactions, see Note 12 - Related Party Disclosures in the Notes to the Company Financial Statements (section 11). Where applicable, best practice provisions II.3.2 to II.3.4 (inclusive), II.6.1 to III.6.3 (inclusive) or III.6.4 of the DCGC, have been observed.

7.1. Amended and Restated Shareholders' Agreement of trivago N.V.

In connection with our initial public offering, travel B.V. (which subsequently converted into trivago N.V.), trivago GmbH, the Founders, Expedia Lodging Partner Services S.à r.l. and certain other Expedia parties entered into an amended and restated shareholders' agreement, which we refer to as the Amended and Restated Shareholders' Agreement.

7.1.2. 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 or shares in trivago GmbH, trivago AG or trivago SE convertible into Class A shares or Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), the Founders will be entitled to designate for binding nomination three members to our supervisory board, all of whom must be independent; and (b) Expedia will be 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. Expedia will be entitled to increase or decrease the size of the supervisory board, provided that the number of members who the Founders are entitled to appoint is not less than three-sevenths (rounded to the nearest whole number) of the members of the supervisory board.

The Amended and Restated Shareholders' Agreement also sets forth agreements regarding the committees of the supervisory board and the rules of procedure. See section "*5.7 Committees.*"

Our supervisory board members were appointed by our shareholders acting at a general meeting upon a binding nomination by the supervisory board as described in section "*5. Corporate Governance.*" Therefore, Expedia and each Founder will be required to vote the shares held by them at the general meeting in accordance with the voting arrangements set forth in the Amended and Restated Shareholders' Agreement.

7.1.3. Agreements regarding the management board

Our management board is comprised of six members who have been appointed pursuant to our deed of incorporation. Pursuant to the Amended and Restated Shareholders' Agreement, so long as certain conditions are met, the Founders who are then serving as management board members will be entitled to designate for binding nomination all six directors to our management board for so long as the Founders and their affiliates, collectively, own at least 15% of the total number outstanding of Class A shares and Class B shares or shares in trivago SE convertible into Class A shares or Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged) and a Founder is serving as chief executive officer of the company. Subject to certain conditions, so long as (i) the Founders and their affiliates, collectively, own at least 15% of the total number outstanding of Class A shares and Class B shares or shares in trivago GmbH, trivago AG or trivago SE convertible into Class A shares or Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged) and (ii) any Founder and its affiliates hold at least 50% of the Class A shares and Class B shares or shares in trivago GmbH, trivago AG or trivago SE convertible into Class A shares or Class B shares (calculated as if all securities convertible, exercisable or exchangeable for Class A shares or Class B shares had been converted, exercised or exchanged), such Founder owned upon completion of our initial public offering, such Founder will generally have a right to be designated by the Founders for binding nomination by the supervisory board to the management board. For purposes of determining a Founder's rights described in clause (ii) of the prior sentence, certain sales in the first two years following the offering by such Founder of Class A shares, or securities convertible, exercisable or exchangeable for Class A shares, shall be treated as having been sold by such Founder in our initial public offering. The Founders shall only designate a former management board member for a new term if the circumstances initially warranting the removal, non-reappointment or resignation have changed, and the supervisory board in its sole discretion may choose not to designate such former management board member for binding nomination to the management board.

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

7.1.4. Registration and other rights

Pursuant to the Amended and Restated Shareholders' Agreement, Expedia 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 Expedia and the Founders.

Expedia 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.

7.1.4.1. 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 Expedia and the Founders, including prohibitions on transfers by the Founders to our competitors. The Founders have tag-along rights on transfers of Class B shares to certain specified parties, and based on certain conditions Expedia 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.

7.1.4.2. Call and put rights

Pursuant to the Amended and Restated Shareholders' Agreement, if a Founder is removed for reasonable cause, Expedia 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 as well as any shares held in trivago GmbH/AG/SE 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 Expedia 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 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 post-IPO 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.

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 Despoitary 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. Outlook

On April 27, 2017, the Company increased its annual guidance and expects that annual revenue growth to be around 50% in 2017 and adjusted EBITDA margin likely to be up slightly as compared to 2016. Refer to section "*4.2 Risk factors*" and other disclosures made in this report for information on the risks that may adversely affect the Company's future financial performance and the execution of its strategic initiatives.

10. trivago N.V.
Consolidated Financial Statements
as of December 31, 2016

trivago N.V.

trivago N.V.
Consolidated Statement of Profit or Loss
for the period from January 1, 2016 to December 31, 2016

in kEUR	Notes	2016	2015
Sales	5.1	754,169	493,083
Cost of sales	5.2	4,280	2,968
Gross profit		**749,889**	**490,115**
Selling and distribution expenses	5.3	673,151	461,084
Technology and content	5.4	52,066	28,729
General and administrative expenses	5.5	54,234	17,333
Other operating expense (income)		(143)	(1,006)
Operating profit		**(29,705)**	**(18,036)**
Finance income	5.8	4	5
Finance expense	5.8	137	147
Financial result		**(133)**	**(142)**
Profit before taxes		**(29,838)**	**(18,179)**
Income taxes	5.9	11,533	(8)
Loss for the year		**(41,371)**	**(18,171)**
Attributable to:			
Equity holders of the parent		(43,312)	(17,932)
Non-controlling interest		1,941	(239)
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	5.10	-0.01	
Diluted, profit for the year attributable to ordinary equity holders of the parent	5.10	-0.01	

trivago N.V.
Consolidated Statement of Other Comprehensive Loss
for the period from January 1, 2016 to December 31, 2016

in kEUR	**Notes**	**2016**	**2015**
Loss of the year		**(41,371)**	**(18,171)**
Other comprehensive income (loss)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	6.7	161	(166)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		**161**	**(166)**
Other comprehensive income (loss) for the year		**161**	**(166)**
Total comprehensive loss for the year		**(41,210)**	**(18,337)**
Attributable to:			
Equity holders of the parent		(43,151)	(18,096)
Non-controlling interest		1,941	(241)

trivago N.V.
Consolidated Statement of Financial Position as at December 31, 2016

in kEUR	Notes	Year ended December 31, 2016	2015	As at January 1, 2015
Property, plant and equipment	6.2	7,686	5,295	2,646
Goodwill	6.1	3,408	3,265	859
Intangible assets	6.1	3,464	2,739	1,361
Other assets	6.5	955	936	862
Deferred tax assets	5.9	1,001	1,295	226
Non-current assets		**16,514**	**13,531**	**5,955**
Trade receivables	6.3	36,233	19,078	16,918
Trade receivables, related parties	6.4	16,505	23,605	7,884
Other assets	6.5	13,227	6,441	5,854
Cash and cash equivalents	6.6	227,298	17,556	6,142
Current assets		**293,263**	**66,681**	**36,798**
Assets		**309,778**	**80,212**	**42,752**
Issued capital	6.7	—	48	38
Common stock A shares	6.7	1,802	—	—
Common stock B shares	6.7	125,405	—	—
Other capital reserves	6.7	27,311	7,720	13,935
Contribution from parent	6.7	122,200	55,529	52,703
Retained Earnings	6.7	(101,581)	(58,270)	(40,338)
Other comprehensive income	6.7	21	(12)	—
Total equity attributable to shareholders of trivago N.V.		**175,158**	**5,015**	**26,338**
Non-controlling interests	6.7	72,129	—	—
Total equity		**247,287**	**5,015**	**26,338**
Other liabilities	6.9	242	183	152
Redeemable non-controlling interests	6.10	351	2,076	—
Deferred tax liabilities	5.9	—	270	—
Non-current liabilities		**593**	**2,529**	**152**
Interest bearing loans and borrowings	6.8	—	20,000	—
Trade payables	6.9	39,850	26,263	13,899
Income tax liabilities	6.9	3,433	256	280
Other liabilities	6.9	18,615	26,149	2,082
Current liabilities		**61,898**	**72,668**	**16,261**
Equity and liabilities		**309,778**	**80,212**	**42,752**

trivago N.V.
Consolidated Statement of Changes of Equity
for the period from January 1, 2016 to December 31, 2016

in kEUR	Issued capital	Common stock A shares	Common stock B shares	Other capital reserves	Contribution from parent	Retained earnings	Accumulated other comprehensive income	Total equity Attributable to the equityholders of the parent	Non-controlling interests	Total equity
January 1, 2015	**38**	**—**	**—**	**13,936**	**52,703**	**(40,338)**	**—**	**26,339**	**—**	**26,339**
Net loss (excludes €239 of net loss attributable to redeemable non-controlling interest)						(17,932)		(17,932)		(17,932)
Other comprehensive loss (net of tax)							(12)	(12)		(12)
Adjustment to the fair value of redeemable non-controlling interests				(239)				(239)		(239)
Issue of subscribed capital, options granted	10							10		10
Contribution from Parent					2,826			2,826		2,826
Share-based compensation expense				(5,977)				(5,977)		(5,977)
December 31, 2015	**48**	**—**	**—**	**7,720**	**55,529**	**(58,270)**	**(12)**	**5,015**	**—**	**5,015**
Net income (loss) prior to IPO						(42,003)		(42,003)		(42,003)
Other comprehensive income (net of tax)							33	33		33
Settlement of options exercised	1			5,494				5,495		5,495
Adjustment to the fair value of redeemable non-controlling interests				(995)				(995)		(995)
Contribution from Parent					4,185			4,185		4,185
Share-based compensation expense prior to IPO				2,465	62,486			64,951		64,951
Corporate reorganization		552		(138,429)				(12,472)	12,472	—
Dividends to non-controlling interest holder				(170)				(170)		(170)
Issuance of common stock. net of issuance costs of €4.921		1,250		201,671				202,921		202,872
Changes in ownership of non-controlling interests				(55,532)				(55,532)	55,532	—
Net income (loss) subsequent to IPO						(1,309)		(1,309)	1,941	632
Share-based compensation expense subsequent to IPO				544				544	77	621
Reclassification of option liability to reserves				3,873				3,873	1,798	5,671
Other movements	(49)							(49)		(49)
Changes in ownership of redeemable non-controlling interests				669				669	311	980
December 31, 2016	**—**	**1,802**	**125,405**	**27,311**	**122,200**	**(101,581)**	**21**	**175,158**	**72,129**	**247,287**

trivago N.V.
Consolidated Statement of Cash Flows
for the period from January 1, 2016 to December 31, 2016

in kEUR	2016	2015
Cash flow from operating activities		
Net loss	(41,371)	(18,171)
Adjustments to reconcile net loss to net cash flows:		
Finance income	(4)	(5)
Finance expense	137	147
Deferred income taxes	25	867
Foreign exchange (gain) loss	(16)	960
Bad debt (recovery) expense	1,589	(410)
Non-cash charge, contribution from Parent	4,185	2,826
Depreciation and impairment of property, plant and equipment	3,033	1,681
Amortisation and impairment of intangible assets	2,050	968
Share-based payment expense	54,500	14,176
	24,128	3,039
Working capital adjustments:		
Change in Accounts receivable, including related party	(11,501)	(18,103)
Change in Other assets	(6,797)	(646)
Change in Accounts payable	13,764	13,102
Change in Accrued expenses and other liabilities	8,508	3,426
Change in Taxes payable/receivable, net	11,874	(940)
	15,848	(3,161)
Income tax paid	(8,696)	(751)
Net cash flows from operating activities	**31,279**	**(873)**
Cash flow from investing activities		
Acquisition of redeemable non-controlling interests	(874)	—
Acquisition of business, net of cash acquired	—	(286)
Purchase of property, plant and equipment	(8,121)	(6,224)
Interest received	4	5
Net cash flows from investing activities	**(8,991)**	**(6,505)**
Cash flow from financing activities		
Proceeds from issuance of credit facility	20,000	20,000
Proceeds from issuance of loan from related party	—	7,129
Payments from issuance of credit facility	(40,000)	—
Payments of loan to shareholder	—	(7,129)
Payments of loan to related parties	—	(1,039)
Interest paid	(137)	(147)
Net proceeds from issuance of common stock	207,840	—
Transaction costs on issue of shares	(882)	—
Proceeds from exercise of option awards	686	10
Net cash flows from financing activities	**187,507**	**18,824**
Net foreign exchange difference	(54)	(32)
Net increase in cash and cash equivalents	209,741	11,414
Cash and cash equivalents at beginning of the period	17,556	6,142
Cash and cash equivalents at end of the period	**227,298**	**17,556**

Notes to the Consolidated Financial Statements

1. General Information

1.1. Corporate Information

The corporate seat of trivago N.V. (formerly travel B.V.) is in Amsterdam, the Netherlands, and the registered office of the Company is at Bennigsen-Platz 1, 40474 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 US GAAP which are included in the consolidated financial statements of Expedia Inc.

trivago and its subsidiaries (hereinafter also the “trivago Group”) offer online meta-search for hotels by facilitating consumers’ search for hotel accommodation , through online travel agents (“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. It exists 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.

In December 2016, we sold 20,826,606 American Depositary Shares ("ADSs"), each representing one Class A share, with a nominal value of €0.06 per share, in our IPO at a public offering price of $11.00 per ADS, for aggregate net offering proceeds to us, after deducting underwriting discounts and commissions, of 207.8 mEUR.

The offering commenced on December 5, 2016 and did not terminate before all of the securities registered in the registration statement were sold. The effective date of the registration statement with the Securities and Exchange Commssion, Washington, USA, File No. 333-214591, for our initial public offering of ADSs was December 15, 2016. J.P. Morgan Securities LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. LLC acted as joint book-running managers of the offering and as representatives of the underwriters.

In connection with the IPO, the Company is in the process of a corporate reorganization, and as of December 31, 2016, trivago is the parent holding company of trivago GmbH, the historical operating company of trivago Group.

During September 2016, prior to the completion of the IPO, Expedia owned 63.5% and Messrs. Schrömgens, Vinnemeier and Siewert, (hereinafter also the “Founders”) owned 36.5%, in aggregate, of the share capital of trivago GmbH. Prior to the completion of the IPO, Expedia contributed all of its units of trivago GmbH to travel B.V. in a capital increase in exchange for newly issued Class B shares of travel B.V. which were converted into Class B shares of trivago N.V. The Founders contributed 940 units of trivago GmbH, representing 6.7% of their aggregate unitholding in trivago GmbH, to travel B.V. in a capital increase in exchange for newly issued Class A shares of travel B.V., and were converted into Class A shares of trivago N.V. As a result of these contributions, 96.3% of the share capital and 99.6% of the voting power in travel B.V. was held by Expedia and 3.7% of the share capital and 0.4% of the voting power in travel B.V. will be held by the Founders, whereas 66.0% of the units of trivago GmbH were be held by travel B.V. and 34.0% of the units in trivago GmbH will be held by the Founders.

ADSs representing the Class A shares of the Founders were subsequently sold in the IPO. Immediately upon the closing of IPO, a substantial portion of the net proceeds from the offering were transferred to trivago GmbH in exchange for new units issued by trivago GmbH, which refer to as the capital increase. The number of new units of trivago GmbH to be subscribed for was the equivalent the number of ADSs sold by trivago N.V. in the offering, divided by the exchange ratio of 8,510.66824, rounded down to the nearest whole unit. After the capital increase, 68.3% of the units of trivago GmbH are now held by trivago N.V. and 31.7% of the units of trivago GmbH are now held by the Founders.

Subsequent to the corporate reorganization and IPO, the trivago N.V. the holding company whose principal asset is a controlling equity interest in trivago GmbH. The Company operates and controls all of the business and affairs of trivago GmbH and through trivago GmbH, conducts its business. As a result, the Company consolidates trivago GmbH financial results and reports a non-controlling interest related to the portion of trivago GmbH units not owned by the Company. The corporate reorganization transactions are considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the corporate reorganization transactions are the financial statements of trivago GmbH as the predecessor to the Company for accounting and reporting purposes. Unless otherwise specified, “the Company” refers to trivago N.V, travel B.V. and trivago GmbH and its respective subsidiaries throughout the remainder of these notes.

The Supervisory Board approved the consolidated financial statements of 2016 at its meeting on May 22, 2017.

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 title 9 of Book 2 Dutch civil code. These financial statements for the year ended December 31, 2016 are the first trivago Group has prepared in accordance with IFRS. Refer to Note 3 for information on how the Group adopted IFRS.

These financial statements are prepared under the assumption of a common control transaction and pooling of interest. It is a 'continuation of an existing group and that pooling of interest method of accounting is applied, which means that (1) the assets and liabilities are reflected at their carrying amounts, (2) No 'new' goodwill is recognised as a result of the reorganization and (3) the periods prior to the reorganization are restated.

General presentation

The consolidated financial statements are presented in Euros, the functional and presentation currency of the trivago Group`s parent company. 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 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. The following assets and liabilities represent an exception, as they are measured at fair value:

- derivative financial instruments,
- financial instruments recorded at fair value through profit or loss, and
- available-for-sale financial assets.

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.

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:

- determination of the useful life of property, plant and equipment,
- identification of cash-generating units and determination of recoverable amounts for purposes of impairment tests of goodwill and non-current assets,
- recognition and measurement of other provisions,
- fair value measurement,
- assessment of the recoverability of deferred tax assets, and
- share-based payment.

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 and its subsidiaries as at December 31, 2016. Subsidiaries are entities directly or indirectly controlled by trivago. trivago controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method as at the acquisition date. This method involves measuring all assets, liabilities and additional identifiable intangible assets of the acquired companies at fair value and then eliminating the acquisition cost of the investment against the proportionate share of the equity thus remeasured. Any resulting positive difference is capitalized as goodwill, while negative differences are first reassessed and then recognized directly in profit or loss. Non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of assets acquired and liabilities assumed (partial goodwill method).

As at December 31, 2016 the consolidated financial statements of trivago Group include:

Group companies

Name	Prinicple activities	Country of incorporation	Equity interest
trivago GmbH	Hotel Metasearch	Germany	68,30%

Trivago GmbH holds the following direct or indirect interest:			
trivago Service B.V.	Corporate	Netherlands	100,00%
B264 GmbH	Software Development	Germany	100,00%
myhotelshop GmbH	Agency	Germany	61,30%
base7booking.com S.á.r.l.	Software Development	Switzerland	100,00%
trivago Spain S.L.	Software Development	Spain	100,00%
trivago Hong Kong Ltd.	Sales and Marketing	Hong Kong	100,00%
Trivago (Shangai) Information Consulting Co. Ltd.	Sales and Marketing	China	100,00%
TGO (Thailand) Ltd.	Sales and Marketing	Thailand	33,00%
trivago Service B.V.	Corporate Administration	Netherlands	100,00%
myhotelshop S.L.	Agency	Spain	61,30%
base7Germany GmbH	Software Development	Germany	100,00%

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	
	12/31/2016	**12/31/2015**	**2016**	**2015**
U.S. dollar	1.0552	1.0859	1.1072	1.1096

Business combination and Goodwill

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

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

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

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

Intangible assets

Other intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognized.

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 develpoment costs	straight line	3

Research and development costs

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

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

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

Property, plant, and equipment

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

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

Useful life of property, plant and equipment

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

Leasehold improvement is amortized using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease, the majority of which will be fully amortized through 2018.

Leases

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

Leases transferring substantially all rewards and risks of ownership to trivago are classified as finance leases. The leased asset is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. A liability is recognized at the same amount. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. Finance costs are allocated over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

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

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

trivago Group's financial assets compromise cash and short-term deposits, trade receivables and other receivables.

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

- Loans and receivables (LaR),
- Held-to-maturity investments (HtM)
- Available-for-sale financial assets (AfS)
- At fair value through profit or loss

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

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Loans and receivables include trivago Group’s trade receivables, certain current financial assets, and cash and cash equivalents.

The held-to-maturity category comprises non-derivative financial assets with fixed or determinable payments and fixed maturities that trivago Group has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

No financial assets were allocated to this category in the reporting period.

Available-for-sale financial assets are non-derivative financial assets that do not fall into any other category. After initial recognition, available-for-sale financial investments are measured at fair value, with any gains or losses net of income tax effects being recognized in accumulated other comprehensive income. This does not apply if the impairment is prolonged or significant, in which case it is recognized in profit or loss. The accumulated measurement gains or losses previously reported in equity are only recognized in profit or loss upon disposal of the financial asset.

No financial assets were allocated to this category in the reporting period.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-fortrading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance income (positive net changes in fair value) or finance costs (negative net changes in fair value) in the statement of profit or loss.

trivago Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial assets, with the exception of those recognized at fair value through profit or loss, are tested for indications of impairment at each balance sheet date. Financial assets are regarded as impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has a negative impact on the estimated future cash flows of the asset.

For financial assets measured at amortized cost, the impairment loss is defined as the difference between the carrying amount of the asset and the present value of the expected future cash flows determined using the original effective interest rate of the financial asset. An impairment loss directly reduces the carrying amount of the financial assets concerned, with the exception of trade receivables, whose carrying amount is reduced via an allowance account. Changes in the allowance account are recognized in profit or loss.

A financial asset is derecognized when trivago Group loses control over the contractual rights pertaining to the asset.

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.

Financial liabilities

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

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

- Financial liabilities at amortized cost (FLAC)
- Financial liabilities at fair value through profit or loss (FLFVPL)

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.

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.

Fair value measurement

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

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

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

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

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

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

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

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

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

- **Level 3**: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

An analysis of fair values of financial instruments and further details on how they are measured are provided in Note 7 "Financial instruments".

Cash and cash equivalents

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

Other provisions

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

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

Share-based payment transactions

All share-based compensation included in our consolidated financial statements relates to certain outstanding trivago employee options replaced with new trivago employee option awards exercisable into trivago Class A shares, in connection with the controlling-interest acquisition of trivago by Expedia in 2013. There were no options granted subsequent to the IPO through the end of the year.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. As there is no trading history for Class A shares prior to the IPO, the expected share price volatility for Class A shares prior to the IPO was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period commensurate to the expected term. The expected term assumptions are based on the terms and conditions of the employee share option agreements, and scheduled exercise windows. Prior to the IPO, the share price assumption used in the model is based upon a valuation of trivago's shares as of the grant date utilizing a blended analysis of the present value of future discounted cash flows and a market valuation approach.

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

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

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

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 recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is generated each time a visitor to one of our websites or apps clicks on a hotel room offer in our search results and is referred to one of our advertisers. Advertisers pay on a per referral basis, with the aforementioned visitor click-through being considered a single referral. Given the nature of the industry, it is not unusual for referrals to be generated from automated scripts designed to browse and collect data on our websites. However, review processes are in place to identify anomalies to ensure revenue recognition is appropriate. Pricing is determined through a competitive bidding process whereby advertisers bid on their placement priority for a specific room offer within each room listing. Bids can be placed as often as daily, and changes in bids are applied on a prospective basis on the following day. Additionally, a portion of our revenue is generated through subscription-based services earned through trivago Hotel Manager Pro applications. This revenue is recognized ratably over the subscription period with deferred revenue recognized upon receipt of payment in advance of revenue recognition.

Taxes

Current income tax

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

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

Deferred tax

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deferred tax assets are recognised for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised
- Deferred tax assets are recognized only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilized.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.4 Accounting standards already published but not yet mandatory

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of trivago Group's financial statements and that will have an impact on trivago Group´s financial position or performance are disclosed below. trivago Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. trivago Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date. So far trivago did not identify material differences between its current accounting treatment and IFRS 15, with respect to the timing of revenue recognition of revenues.

IFRS 16 Leases

In January 2016, the IASB issued the new IFRS 16 standard, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 "Leases". Application of IFRS 16 is required for annual periods beginning on or after January 1, 2019. trivago Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date. The new guidance requires entities that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. For further details please refer to Note 10 "Other Financial Obligations".

The IASB has issued further standards that shall be recognized in upcoming periods. The first time adoption of these standards and other statements are not expected to have significant influence on the Group.

2. First-time adoption of IFRS

These consolidated financial statements, for the year ended December 31, 2016, are the first trivago Group has prepared in accordance with IFRS. Accordingly, trivago Group has prepared consolidated financial statements that comply with IFRS applicable as at December 31, 2016, together with the comparative period data for the year ended December 31, 2015, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, trivago Group's opening statement of profit or loss was prepared as at January 1, 2015, trivago Group's date of transition to IFRS.

As noted regarding the corporate reorganization, the comparative period data for the year ended December 31, 2015 present the results of operations and financial condition of trivago GmbH and its controlled subsidiaries. Prior to the corporate reorganization, the comparative period data for the year ended December 31, 2015 of trivago GmbH and its controlled subsidiaries are referred to the members' equity as trivago GmbH Class A units and trivago GmbH Class B units. The equity of a GmbH is not unitized into shares under German corporate law. However, pursuant to trivago GmbH's articles of association, the members' equity was unitized into trivago GmbH Class A units and Class B units, with each trivago GmbH Class B unit having 1/1,000 of the voting rights of a trivago GmbH Class A unit.

This note explains the principal adjustments made by trivago Group in reconciling its US-GAAP consolidated financial statements, including the statement of profit or loss as at January 1, 2016 and the consolidated financial statements for the year ended December 31, 2016. trivago N.V. is adopting IFRS in the financial statements for the financial year ending December 31, 2016. The date of transition to IFRS is the beginning of the earliest comparative period presented in the first IFRS financial statements of trivago N.V., following IFRS 1.6. Therefore the date of transition to IFRS is January 1, 2015. IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- Management's estimates includes the following: useful lives used, estimates of tax loss carry forwards, fair value estimates, bad debt and other provisions. Accordingly to IFRS 1, an entity's estimates in accordance with IFRS at the date of transition should be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.
- IFRS 1 requires a first-time adopter to apply the requirements of IFRS 10 prospectively from the date of transition to IFRS. Given the US GAAP standard fulfills the IFRS 10 requirement that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, this mandatory exception does not have a significant impact to the IFRS conversion of trivago N.V.

Group reconciliation of equity

Group reconciliation of equity	**Remeasurements for the year ended December 2016**	**Remeasurements for the year ended December 2015**	**Remeasurements as at January 2015**
Build-to-suit leases	1,780	593	—
Pushdown accounting applied due to the change in control in 2013	(608,564)	(617,293)	(637,942)
Share-based compensation	—	(565)	(287)
Net effect on group equity	**(606,784)**	**(617,265)**	**(638,229)**
Group equity according to US GAAP	854,071	622,280	664,568
Equity according to IFRS	**247,287**	**5,015**	**26,338**

Group reconciliation of profit and total comprehensive income

Group reconciliation of profit of the year	Remeasurements 01/01/2016 - 12/31/2016	Remeasurements 01/01/2015 - 12/31/2015
Build-to-suit leases	1,187	593
Pushdown accounting applied due to the change in control in 2013	9,612	20,649
Share-based compensation	(778)	(47)
Net effect on profit of the year	**10,020**	**21,195**
Profit (loss) of the year according to US GAAP	(51,391)	(39,366)
Profit (loss) of the year according to IFRS	**(41,371)**	**(18,171)**

Group reconciliation of total comprehensive income	Remeasurements 01/01/2016 - 12/31/2016	Remeasurements 01/01/2015 - 12/31/2015
Build-to-suit leases	1,187	593
Pushdown accounting applied due to the change in control in 2013	9,612	20,649
Share-based compensation	(778)	(47)
Net effect on total comprehensive income	**10,020**	**21,195**
Comprehensive income according to US GAAP	(51,230)	(39,532)
Comprehensive income according to IFRS	**(41,210)**	**(18,337)**

Notes to the reconciliation of equity as at 1 January 2015 and 31 December 2015 and total comprehensive income for the year ended 31 December 2015.

Build-to-suit leases

In July 2015, we entered into a lease for new corporate headquarters with 26,107 square meters of office space. Pursuant to the lease, the Landlord will build this office building in Düsseldorf, Germany. As a result of our involvement in the construction project and our responsibility for paying a portion of the costs of normal finish work and structural elements of the premises, the Company was deemed for accounting purposes to be the owner of the premises during the construction period pursuant to build-to-suit lease accounting guidance under ASC 840. Therefore, the Company recorded project construction costs during the construction period incurred by the landlord as a construction-in-progress asset and a related construction financing obligation on our consolidated balance sheets. The amounts that the Company has paid or incurred for normal tenant improvements and structural improvements had also been recorded as part of the construction-in-progress asset.

Under US GAAP we establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent that we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease. Under IFRS no built-so-suit lease accounting is applicable.

Pushdown accounting

During 2013, Expedia, Inc. (the "Parent" or "Expedia") completed the purchase of a controlling interest in the Company. Under US GAAP we apply pushdown accounting in the period in which the change in control event occurred (the moment that Expedia obtained control). Under IFRS there is no option to apply pushdown accounting.

Share-based compensation

Differences in calculation of share based compensation arise due to GAAP differences between US GAAP (ASC 718 Stock-based compensation, ASC 515 Equity) and IFRS 2 (Share-based payments). IFRS applies a different accounting treatment to graded vesting of options.

Estimates

The estimates at 1 January 2015, 31 December, 2015 and at 31 December, 2016 are consistent with those made for the same dates in accordance with US GAAP (after adjustments to reflect any differences in accounting policies).The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2015, the date of transition to IFRS, as at 31 December 2015 and 31 December 2016.

3. Business combinations

Acquisitions in the prior fiscal year

Acquisition of base7booking.com Sarl and myhotelshop GmbH

On August 5, 2015, the group completed the acquisition of a 52.3% equity interest in base7booking.com Sarl (hereinafter also "base7"), a cloud based property management service provider. The acquisition provides trivago access to the Company's workforce and the "know-how" regarding base7's all-in-one property management system which creates opportunity to enhance trivago's direct marketing.

On July 16, 2015, we completed the acquisition of a 61.3% equity interest in myhotelshop GmbH ("myhotelshop"), a marketing manager. The acquisition provides trivago GmbH direct relationships with independent hotels through the myhotelshop portal.

The acquisitions of base7 and myhotelshop provide trivago Group the opportunity to enhance the strategic marketing capabilities to integrate the workforce and independent hotel relationships acquired with in order to deliver an overall better customer experience to our customer base.

For both business combinations, there was a total purchase consideration of 2.7 mEUR in cash and the settlement of pre-existing debt at the closing of the acquisition.

At the time of acquisition, the fair values of the identified assets and liabilities were as follows:

Assets and liabilities at fair value

in kEUR	**2015**
Acquired net assets	2,224
thereof: cash acquired	2,400
Identifiable intangible assets:	
Customer relationships	38
Redeemable non-controlling interest	(2,230)
Goodwill	2,583
Transferred consideration	2,615

The fair value of the non-controlling interest was estimated to be 2.2 mEUR at the time of acquisition. In addition, the purchase agreement contain certain put/call rights whereby trivago GmbH may acquire, and the minority shareholders may sell to trivago GmbH, the minority shares of the company at fair value beginning in 2018 or earlier if the call option held by trivago GmbH is exercised to purchase the outstanding equity interest of base7. As the non-controlling interest is redeemable at the option of the minority holders, the balance was classified as redeemable non-controlling interest with future changes in the fair value above the initial basis recorded as charges or credits to retained earnings (or additional paid-in capital in absence of retained earnings).

The business combinations resulted in a goodwill at an amount of 2.6 mEUR at the acquisition date. Goodwill mainly is primarily attributable to assembled workforce and operating synergies.

The fair value of the trade receivables amounts to 0.3 million. The gross amount of trade receivables is 0.3 million. However, none of the trade receivables have been impaired and it is expected that the contractual amounts can be collected.

The net cash outflow is as follows:

Cash Outflow

in mEUR	**2015**
Purchase price	(2.7)
Net cash acquired	2.4
Net cash outflow	**(0.3)**

Acquisition related costs of 0.2 mEUR and 0.8 mEUR have been expensed and are included in general and administrative expenses.

Acquired businesses contributed 1.4 mEUR of revenue and (0.5) mEUR to the net loss before tax from the date of acquisition to December 31, 2015 to the profit for the year from continuing operations of trivago Group. If the combinations had taken place at the beginning of that year, revenue from continuing operations would have been 494 mEUR and the loss for the year from continuing operations for trivago Group for 2015 would have been 18.2 mEUR.

On December 22, 2016, trivago GmbH exercised our call option in order to purchase the remaining 47.7 % non-controlling interest in base7 for a cash consideration of approximately 0.9 mEUR. As such, trivago GmbH became the sole owner of base7.

4. 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 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

Americas segment is growing and becoming a larger share of consolidated referral revenue and has the second largest exposure to extensive marketing and advertising campaigns. Americas segment is currently comprised of Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Peru, the United Sates and Uruguay. Developed Europe segment represents the region where we are a well matured brand and is comprised of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The Developed Europe market was the initial market of operations and has the largest exposure to extensive marketing and advertising campaigns. Rest of World segment represents all regions outside of the Americas and Developed Europe and is in its early stages of growth. The product portfolio of the operating segments is broadly similar.

The Managing Directors mainly monitor the operating segments on the basis of key earning figures. The Managing Directors measure operating segment performance primarily on Return on Advertising Spend (“ROAS”), which compares referral revenue to advertising spend. ROAS includes the allocation of revenue by operating segment which is based on the location of the website, or domain name, regardless of where the consumer resides. This is consistent with how management monitors and runs the business.

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

Corporate and Eliminations also includes all corporate functions and expenses except for direct advertising. In addition, amortization of intangible assets and any related impairment, as well as share-based compensation expense, restructuring and related reorganization charges, legal reserves, occupancy tax and other, and other items excluded from segment operating performance were recorded in Corporate and Eliminations.

The following tables present the segment information:

ROAS of each segment

2016 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	348.9	286.4	110.5		745.8
Other sales	0.0	0.0	0.0	8.3	8.3
Total sales	348.9	286.4	110.5	8.3	754.2
Advertising spend	257.5	243.2	122.8		623.5
ROAS contribution	91.4	43.2	(12.3)	8.3	130.7

2015 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	259.6	171.9	58.8	0.0	490.2
Other sales	0.0	0.0	0.0	2.8	2.8
Total sales	259.6	171.9	58.8	2.8	493.1
Advertising spend	194.9	169.4	67.9	0.0	432.2
ROAS contribution	64.7	2.5	(9.1)	2.8	60.9

In 2016, the trivago Group generated sales of 545 mEUR (prior year: 289 mEUR) from the top three key customers, representing approximately 72% (prior year: 59%) of total group sales and approximately the following amounts and percentages per operating segment:

- Developed Europe (2016: 240 mEUR and 69%, 2015:138 mEUR and 53%)
- Americas (2016: 224 mEUR and 78%,2015: 113 mEUR and 66%)
- Rest of World (2016: 81 mEUR and 73%, 2015: 37 mEUR and 64%)

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

Reconciliation of segment information

in mEUR	**2016**	**2015**
Referral sales	745.8	490.2
Other sales	8.3	2.8
Total sales	**754.2**	**493.1**
Advertising spend	**623.5**	**432.2**
ROAS contribution	**130.7**	**60.9**
Cost of sales	4.3	3.0
Other selling and marketing	49.7	29.0
Technology and content	52.1	28.7
General and administrative expenses	54.3	17.3
Other operating income (expense)	(0.1)	(1.0)
Operating profit	**(29.7)**	**(18.2)**
Finance expense	0.1	0.1
Financial result	**(0.1)**	**(0.1)**
Profit (loss) before taxes	**(29.8)**	**(18.2)**
Income taxes	11.5	—
Profit for the year	**(41.4)**	**(18.2)**

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

in mEUR	**2016**	**2015**
Property, plant and equipment	7.7	5.3
Intangible assets	3.5	2.7
Other assets	1.0	0.9
Deferred taxes	1.0	1.3
Total	**13.1**	**10.3**
thereof: Germany	*12.3*	*10.1*
therof: All other countries	*0.8*	*0.2*

5. Notes to the statement of profit or loss

5.1. Sales

Sales

in mEUR	2016	2015
Referral sales	745.8	490.2
Other sales	8.3	2.8
Total	**754.2**	**493.1**

The term “referral” describe 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 charge advertisers for each referral on a cost-per-click, or CPC, basis. Referral sales in the fiscal year 2016 increased by 255.6 mEUR or 52.1% compared to fiscal year 2015. This growth was primarily due to an increase of 60.0 % in the number of qualified referrals in the fiscal year 2016 compared to fiscal year 2015.

The following table presents sales 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.

Sales by geografic area

in mEUR	2016	2015
United States	199.4	128.9
Germany	76.6	67.5
United Kingdom	86.7	61.5
Spain	37.7	29.2
Canada	33.1	23.2
Italy	31.3	26.4
All other countries	289.3	156.4
Total	**754.2**	**493.1**

5.2 Cost of sales

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

Cost of sales includes share-based compensation expenses in the amount of 0.7 mEUR (prior year: 0.2 mEUR). For further explanation see Note 9 “Share-based payment plan”.

5.3 Selling and distribution costs

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

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

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

Selling and distribution costs		
in mEUR	**2016**	**2015**
Advertising expenses	623.5	432.2
Other selling and marketing expenses	49.6	28.9
thereof: Share-based compensation	*10.8*	*3.3*
Total	**673.1**	**461.1**

Selling and distribution cost increased by 46.0%, compared to the fiscal year 2015, due to invest in performance marketing and other advertising to increase the brand awareness in each of the three operating segments, the Americas, Developed Europe and the Rest of World. For further explanation of share-based compensation see Note 9 “Share-based payment plan”.

5.4 Technology and content

Technology and content expense compromise of technology development, product development and content personnel and overhead, depreciation and amortization of technology assets including hardware, purchased and internally developed software and other costs (primarily licensing and maintenance expense).

Technology and content		
in mEUR	**2016**	**2015**
Personnel costs	24.0	17.0
Share-based compensation	16.2	4.5
Depreciation and amortization	3.9	1.4
Other	8.0	5.8
Total	**52.1**	**28.7**

Technology and content expense increased by 23.4 mEUR, compared to the fiscal year 2015, primarily due to an increase of 11.7 mEUR in share-based compensation expense and an increase of 7.0 mEUR in personnel costs. For further explanation of share-based compensation see Note 9 “Share-based payment plan”.

5.5. General and administrative expenses

General and administrative expense consists primarily of personnel-related costs, including those of the executive leadership, finance, legal and human resource functions, shared services costs calculated and allocated by Expedia, Inc., and professional fees for external services including legal, tax and accounting, and other costs including rent, depreciation and other overhead costs.

General and administrative expenses		
in mEUR	**2016**	**2015**
Personnel costs	9.8	5.4
Share-based compensation	26.7	6.1
Shared service costs	4.2	2.9
Professional fees and other	13.5	2.9
Total	**54.2**	**17.3**

General and administrative expense increased by 36.9 mEUR, or 213.3%, compared to the fiscal year 2015, primarily due to an increase of 20.6 mEUR of share-based compensation expense. For further explanation of share-based compensation see Note 9 “Share-based payment plan”. In addition general and administrative expense also include expense relating to the IPO amounting to 5.1 mEUR.

5.6 Personnel expenses

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

Personnel expenses by cost type

in mEUR	2016	2015
Wages and salaries	105.6	47.1
Social security costs	9.2	6.3
Pension expenses	0.1	0.1
Termination benefits	0.0	0.0
Total	**114.9**	**53.4**

With regard to company pension plans, trivago Group only has defined contribution plans. Trivago Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. There are no other benefit obligations for trivago Group after payment of the contributions. The current contribution payments are disclosed as an expenses in the respective year. The number of employees increased from 974 in the prior year to 1,233 at the end of the reporting period. The average number of employees in the fiscal year 2016 amount to 1,104 (prior year: 798), of which 1,054 (prior year: 757) were employed in Germany and 12 (prior year: 0) were employed in the Netherlands.

Personnel expenses are divided among the various divisions as follows:

Personnel expenses

in mEUR	2016	2015
Cost of Sales	1.8	1.6
Selling and distribution expenses	36.3	18.6
Technology and content	40.2	21.6
General and administrative expenses	36.5	11.5
Total	**114.9**	**53.4**

5.7 Depreciation and amortization

Depreciation and amortization

in mEUR	2016	2015
Selling and distribution	0.6	0.9
Technology and content	3.0	1.4
General and administrative	1.5	0.3
Total	**5.1**	**2.6**

5.8 Financial result

Financial result consists finance expenses in the amount of 0.1 mEUR (prior year: 0.1 mEUR).

5.9 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 2016 amounts to approximately 15.405% (prior year: 15.405%).

Income taxes

in mEUR	2016	2015
Current income tax	11.5	(0.9)
Deferred taxes	—	0.9
Total	**11.5**	**—**

In addition to taxes on the current result, income taxes include effects not relating to the reporting period of 0.1 mEUR (prior year: 0.1 mEUR).
Deferred taxes relate to the origination and reversal of temporary differences in the amount of 0.0 mEUR (prior year: 0.9 mEUR).

Deferred taxes result from the following items:

Deferred assets and liabilities

	as of December 31,	
in mEUR	**2016**	**2015**
Other receivables and assets	1.3	0.7
Trade payables	—	0.4
Other	0.5	0.5
Deferred tax assets	**1.8**	**1.6**
Intangible assets	0.8	0.6
Other	—	—
Deferred tax liabilities	**0.8**	**0.6**
Amount recognized in profit and loss	**—**	**0.9**
Amount recognized in equity	**—**	**—**

As of the balance sheet date, deferred tax assets and liabilities of 0.8 mEUR (previous year: 0.6 mEUR) were offset, having met the requirements for offsetting.

As of December 31, 2016, there are tax loss carryforwards of approximately 11.4 mEUR (prior year: 0.4 mEUR). These tax loss carryforwards result from myhotelshop, which was acquired in fiscal year 2015 and trivago N.V. trivago N.V. is a Dutch company, however has its tax residency in Germany. If not utilized, the tax loss carryforwards of 11.4 mEUR may be carried forward indefinitely.

Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be offset. Deferred tax assets have not been recognized in respect of these tax loss carryforwards.

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

Tax reconciliation

in mEUR	2016	2015
Result before income tax	**(29.8)**	**(18.2)**
Group tax rate	31.2	31.2
Income taxes based on group statutory tax rate	**9.3**	**5.7**
Foreign rate differential	(0.2)	0.0
Non-deductible share-based compensation	(17.0)	(4.4)
Non-deductible corporate costs	(1.3)	(0.9)
Changes in uncertain tax positions	0.0	1.7
Losses for which no deferred tax is recognized	(1.9)	(0.1)
Other differences	(0.4)	(2.0)
Effective tax expenses as per income statement	**(11.6)**	**0.0**

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

5.10 Earnings per Share

Basic and diluted earnings per share of Class A and Class B common stock is computed by dividing net income attributable to trivago N.V., after adjusting for non-controlling interest as a result of the corporate reorganization and IPO, for the period from December 16, 2016 (effective date of the corporate reorganization and IPO) through December 31, 2016, by the weighted average number of Class A and Class B common stock outstanding during the same period. Loss attributable to ordinary equity holders of the parent for basic earnings as well as profit attributable to ordinary equity holders of the parent adjusted for the effect of dilutions are amounting to 1.3 mEUR. There were no shares of Class A or Class B common stock outstanding prior to December 16, 2016, therefore no earnings per share information has been presented for any period prior to that date.

Regarding a description of ordinary share transactions or potential ordinary share transactions that might occur after the balance sheet date and that could change significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the reporting period we refer to Note 9 "Share-based Payment plans".

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

Earnings per share

	2016
Loss attributable to the shareholders of trivago N.V.	
Basic, profit/(loss) for the year in EUR	(0.01)
Diluted , profit/(loss) for the year in EUR	(0.01)
Weigthed average number of outstanding shares in units	
Weighted average shares of Class A and Class B common stock outstanding - basic	237,811
Weighted average shares of Class A and Class B common stock outstanding - diluted	245,516

6. Notes to the statement of financial position

6.1 Intangible assets

Development of intangible assets

in kEUR	Goodwill	Intangible assets	Total
Historical cost			
As of 01/01/2015	**859**	**2,204**	**3,063**
Additions	2,406	2,346	4,752
As of 12/31/2015	**3,265**	**4,550**	**7,815**
As of 01/01/2016	**3,265**	**4,550**	**7,815**
Additions	—	2,785	2,785
Exchange rate differences	143	—	143
As of 12/31/2016	**3,408**	**7,335**	**10,743**
Accumulated depreciation			
As of 01/01/2015	**—**	**(843)**	**(843)**
Additions	—	(968)	(968)
As of 12/31/2015	**—**	**(1,811)**	**(1,811)**
As of 01/01/2016	**—**	**(1,811)**	**(1,811)**
Additions	—	(2,060)	(2,060)
As of 12/31/2016	**—**	**(3,871)**	**(3,871)**
Net carrying amount as of 12/31/2015	3,265	2,739	6,004
Net carrying amount as of 12/31/2016	3,408	3,464	6,872

Additions in goodwill of prior fiscal year includes the additions from the acquisition of myhotelshop and base7. For further details please refer to Note 3 “Business combinations”.

Certain direct development costs associated with website and internal-use software are capitalized during the application development stage. Capitalized costs include external direct costs of services and payroll costs (including share-based compensation). The payroll costs are for employees devoting time to the software development projects principally related to website and mobile app development, including support systems, software coding, designing system interfaces and installation and testing of the software. These costs are generally amortized over a period of three years beginning when the asset is ready for use. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and amortized over the estimated useful life of the enhancements, which is generally a period of three years. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Goodwill and intangible assets with indefinite lives

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

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

The Group performed its annual impairment test of goodwill and purchased intangible assets with indefinite lives during the fourth quarter of 2016 and determined there was no impairment at that time. In general the valuation of goodwill and purchased intangible assets with indefinite lives requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, investments in capital equipment and working capital, and discount rates.

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

As of December 31, 2016 the groups consolidated net asset value was approximately 247.3 mEUR, and the recoverable amount of each of the three reporting units was in excess of this amount. In addition the market capitalisation of the groups publicity traded shares crossed the 4.1 bUSD threshold in December, we concluded that there is no risk of impairment on allocated goodwill or our indefinite-lived intangible assets' carrying value.

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

6.2 Property, plant, and equipment

Development of property, plant and equipment

in kEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Historical cost					
As of 01/01/2015	**2,577**	**1,057**	**284**	**249**	**4,166**
Additions	2,610	906	110	716	4,341
As of 12/31/2015	**5,186**	**1,963**	**394**	**964**	**8,508**
As of 01/01/2016	**5,186**	**1,963**	**394**	**964**	**8,508**
Additions	3,172	780	615	846	5,413
As of 12/31/2016	**8,358**	**2,743**	**1,009**	**1,811**	**13,921**
Accumulated depreciation					
As of 01/01/2015	**(842)**	**(480)**	**(168)**	**(31)**	**(1,521)**
Additions	(1,096)	(356)	(78)	(162)	(1,692)
As of 12/31/2015	**(1,938)**	**(836)**	**(245)**	**(193)**	**(3,213)**
As of 01/01/2016	**(1,938)**	**(836)**	**(245)**	**(193)**	**(3,213)**
Additions	(1,887)	(522)	(163)	(449)	(3,021)
As of 12/31/2016	**(3,825)**	**(1,358)**	**(408)**	**(642)**	**(6,234)**
Net carrying amount as of 12/31/2016	4,533	1,384	601	1,169	7,687
Net carrying amount as of 12/31/2015	3,248	1,127	148	771	5,295

We record property and equipment at cost, net of accumulated depreciation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is generally three to five years for computer equipment and furniture and other equipment. We depreciate leasehold improvement using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease, the majority of which will be fully amortized through 2018.

6.3 Trade receivables

Trade receivables

in mEUR	As of December 31, 2016	2015
Trade receivables (gross)	**36.3**	**19.4**
Impairment allowances	(0.2)	(0.3)
Trade receivables (net)	**36.2**	**19.1**

As of December 31, 2016 impairment allowances for trade receivables amounts to 0.2 mEUR (prior year: 0.3 mEUR). The development of impairment allowances can be seen below:

Impairment allowances on trade receivables

in mEUR	2016	2015
As of January 1	**0.3**	**0.7**
Additions	1.7	0.2
Utilisation	(1.8)	(0.7)
As of December 31	**0.2**	**0.3**

As of December 31, 2016, the age profile of trade receivables less the aforementioned allowances was as follows:

Aging analysis of trade receivable

					Of which: not impaired on the reporting date and past due in the following period			
in mEUR	Gross amount	Provision for doubtful accounts	Carrying amount	Of which: neither impaired nor past due on the reporting date	Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days
Trade receivables as of 12/31/2016	36.34	(0.15)	36.18	36.10	0.07	—	—	0.01
Trade receivables as of 12/31/2015	19.28	(0.25)	19.03	17.47	1.54	—	—	0.02

As of the reporting date, all receivables are due within one year. Furthermore, there is no indication that the debtors will default on their obligations with regard to trade receivables that are neither past due nor impaired.

6.4 Trade receivables, related parties

Trade receivables. related parties

in mEUR	As of December 31, 2016	2015
Trade receivables (gross)	**16.5**	**23.6**
Impairment allowances	0.0	0.0
Trade receivables (net)	**16.5**	**23.6**

As of December 31, 2016 and as of December 31, 2015 no impairment allowances were recognized as trade receivables from related party mainly were not overdue.

6.5 Other assets

Other financial assets

in mEUR	2016 Current	2016 Non-current	2016 Total financial assets	2015 Current	2015 Non-current	2015 Total financial assets
Restricted Cash	0.9	0.0	0.9	0.7	0.0	0.7
Creditor`s with debit balance	1.4	0.0	1.4	0.0	0.0	0.0
Receivables against employees	0.5	0.0	0.5	0.0	0.0	0.0
Receivables Health insurance	0.1	0.0	0.1	0.0	0.0	0.0
Deposits	0.0	1.0	1.0	0.0	0.8	0.8
Other	0.0	0.0	0.0	0.1	0.0	0.1
Total	**2.9**	**1.0**	**3.9**	**0.8**	**0.8**	**1.6**

As of December 31,

Other non-financial assets

in mEUR	2016 Current	2016 Non-current	2016 Total assets	2015 Current	2015 Non-current	2015 Total assets
Prepaid expenses	5.8	0.0	5.8	1.3	0.2	1.5
Advance payments	3.4	0.0	3.4	3.5	0.0	3.5
VAT	1.2	0.0	1.2	0.7	0.0	0.7
Other	0.0	0.0	0.0	0.1	0.0	0.1
Total	**10.4**	**0.0**	**10.4**	**5.6**	**0.2**	**5.8**

As of December 31,

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, 2015 and as of December 31, 2016 no other financial assets and other assets are overdue. No impairment allowances for other financial assets and other assets were recognized.

6.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand amounting to 227.3 mEUR as of December 31, 2016 and to 17.6 mEUR December 31, 2015. The development and application of cash and cash equivalents is stated in the consolidated statement of cash flows.

6.7 Equity

Issued capital (before the corporate reorganization)

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

Class A and Class B common stock (after the corporate reorganization)
As of December 31, 2016, we had ADSs representing 30,026,635 Class A shares outstanding, 209,008,088 Class B shares outstanding and the Founders will have the right to exchange their shares in trivago GmbH for 110,791,880 Class A shares or Class B shares in trivago N.V. subject to applicable limitations imposed under federal securities law.

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, is 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.

Accumulated other comprehensive income (loss)
Accumulated other comprehensive income represents foreign currency translation adjustments for our subsidiaries in foreign locations.

Contribution from Parent
The change year over year primarily relates to additional share-based compensation expense as well as Expedia corporate expenses allocated to trivago.

Non-controlling interests
Non-controlling interests are measured at the proportionate share in the subsidiaries net assets.

Apart from cash 30 mEUR and current liabilities 10 mEUR the consolidated financial statements represent the trivago GmbH Group financial statements at December 31, 2016. Apart from 5 mEUR general and administrative expenses the results comprise the results of the trivago GmbH Group financial statements for the year 2016.

6.8 Loans due to banks

An uncommitted credit facility of 50 mEUR was granted, which is guaranteed by Expedia, Inc. The uncommitted credit facility is borrowed at a variable interest rate based on LIBOR (1 % + LIBOR).

As of December 31, 2016, trivago has used 0 mEUR (prior year: 20.0 mEUR) of the uncommitted credit facility. The borrowings are classified as a short-term debt based on the lender's ability to terminate the facility at any time.

6.9 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 amount to 39.9 mEUR (2015: 26.3 mEUR).

Other financial liabilities consist financial and non-financial liabilities:

Other financial liabilities

	As of December 31,					
	2016			2015		
in mEUR	Current	Non-current	Total financial liabilties	Current	Non-current	Total financial liabilties
Deposit	0.2	0.0	0.2	0.2	0.0	0.2
Liabilities to employees	1.2	0.0	1.2	0.3	0.0	0.3
Option liability	0.0	0.0	0.0	13.4	0.0	13.4
Loan	0.0	0.0	0.0	7.1	0.0	7.1
Outstanding invoices	7.0	0.0	7.0	0.0	0.0	0.0
Other	2.6	0.0	2.6	1.2	0.1	1.3
Total	**11.0**	**0.0**	**11.0**	**22.2**	**0.1**	**22.3**

Other non-financial liabilities

	As of December 31,					
	2016			2015		
in mEUR	Current	Non-current	Total liabilties	Current	Non-current	Total liabilties
Deferred income	5.1	0.2	5.3	2.3	0.1	2.4
Other taxes liabilities	1.4	0.0	1.4	0.8	0.0	0.8
Liabilities to employees	0.2	0.0	0.2	0.3	0.0	0.3
Other	0.8	0.0	0.8	0.5	0.0	0.5
Total	**7.5**	**0.2**	**7.7**	**3.9**	**0.1**	**4.0**

In the third quarter of 2015, 484 Class A equivalent trivago employee option awards were exercised for nominal proceeds. The underlying shares were held by employees in order to participate in the 2016 liquidity window. Upon exercise of these options, trivago paid employees' personal tax liability related to the option exercise collateralized by the underlying shares and to be repaid by employees from 2016 liquidation proceeds. As the proceeds of 7.1 mEUR (outstanding loan as of December 31 2015) were funded by Expedia, trivago recognized a related party payable for this amount which will be repaid to Expedia in 2016 at the time of the liquidation.

The 7.0 million liability as of December 31, 2016 related to outstanding invoices relates mainly to fees related to the IPO, of which invoices are yet to be received as of December 31, 2016.

For further explanation regarding option liability see Note 9 "Share-based payment plan".

Other non-financial liabilities mainly include current deferred income from subscription-based services earned through trivago Hotel Manager Pro applications. This revenue is recognized ratably over the subscription period with deferred revenue recognized upon receipt of payment in advance of revenue recognition. As of December 31, 2016 5.1 mEUR and December 31, 2015 2.3 mEUR were recognized.

6.10 Redeemable non-controlling interests

Non-controlling interest exists in entities majority owned by trivago GmbH, which are carried at fair value as the non-controlling interests contain certain rights, whereby trivago GmbH may acquire and the minority shareholders may sell to trivago GmbH the additional shares of the companies. For information on redeemable non-controlling interest acquired during 2015, see Note 3 Business combinations.

As of December 31, 2016, the fair value of the redeemable non-controlling interest has been adjusted by 1.0 mEUR for the net loss attributable to the non-controlling interest in myhotelshop and the non-controlling interest in base7 through the date of acquisition. A total fair value adjustment has been recorded of 1.0 mEUR to reflect the fair value of the non-controlling interests for the year ended December 31, 2016. On December 22, 2016, we acquired the remaining non-controlling interest in base7booking.com Sarl (hereinafter also “base7”). The acquisition is considered an equity transaction. Consequently, we have eliminated the redeemable non-controlling interest of base7 and changes in redeemable non-controlling interest due to attributed earnings and foreign exchange gains/losses as of December 22, 2016.

7. 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 7.8 are summarized below. No financial instruments were reclassified between categories.

Financial instruments by class and by categories

	As of December 31, 2016						
			Amount recognised in balance sheet according to IAS 39				
in mEUR	Category according to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit and loss	Amount recognised in balance sheet according to IAS 17	Fair value
Financial assets by class							
Trade receivables	LaR	36.2	36.2	0.0	0.0	0.0	36.2
Trade receivables, related parties	LaR	16.5	16.5	0.0	0.0	0.0	16.5
Other financial assets	LaR	3.8	3.8	0.0	0.0	0.0	3.8
Cash and cash equivalents	LaR	227.3	227.3	0.0	0.0	0.0	227.3
Liabilities							
Trade payables	FLAC	39.8	39.8	0.0	0.0	0.0	39.8
Other financial liabilities							
Redeemable non-controlling interests	FLFVPL	0.4	0.0	0.0	0.4	0.0	0.4
Others	FLAC	11.1	11.1	0.0	0.0	0.0	11.1
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	283.9	283.9	0.0	0.0	0.0	283.9
Financial liabilities measured at amortized cost	FLAC	50.9	50.9	0.0	0.0	0.0	50.9
Financial liabilities measured at fair value through profit or loss	FLFVPL	0.4	0.0	0.0	0.4	0.0	0.4

in mEUR	Category according to IAS 39	Carrying amount	Amount recognised in balance sheet according to IAS 39 (Amortized) cost	Fair value recognized in equity	Fair value recognized in profit and loss	Amount recognised in balance sheet according to IAS 17	Fair value
	As of December 31, 2015						
Financial assets by class							
Trade receivables	LaR	19.1	19.1	0.0	0.0	0.0	19.1
Trade receivables, related parties	LaR	23.6	23.6	0.0	0.0	0.0	23.6
Other financial assets	LaR	1.5	1.5	0.0	0.0	0.0	1.5
Cash and cash equivalents	LaR	17.6	17.6	0.0	0.0	0.0	17.6
Liabilities							
Trade payables	FLAC	26.3	26.3	0.0	0.0	0.0	26.3
Liabilities due to banks	FLAC	20.0	20.0	0.0	0.0	0.0	20.0
Other financial liabilities							
Redeemable non-controlling interests	FLFVPL	2.1	0.0	0.0	2.1	0.0	2.1
Option liability	FLFVPL	13.4	0.0	0.0	13.4	0.0	13.4
Others	FLAC	8.9	8.9	0.0	0.0	0.0	8.3
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	61.8	61.8	0.0	0.0	0.0	61.8
Financial liabilities measured at amortized cost	FLAC	55.2	55.2	0.0	0.0	0.0	0.0
Financial liabilities measured at fair value through profit or loss	FLFVPL	15.5	0.0	0.0	15.5	0.0	15.5

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.

With exception of the option liability, 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.

Due to changed interest rates, there are slight deviations between the carrying amount and fair value of finance lease liabilities.

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 hierachy

in mEUR	As of December 31, 2016 Level 1	Level 2	Level 3
Other financial assets	—	—	—
Other financial liabilities	—	—	0.4
Total	**—**	**—**	**0.4**

in mEUR	As of December 31, 2015 Level 1	Level 2	Level 3
Other financial assets	—	—	—
Other financial liabilities	—	—	15.5
Total	**—**	**—**	**15.5**

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

Net gains and losses by category of financial instruments

	As of December 31, 2016						
			From subsequent measurement				
in mEUR	From interest	From remuneration	At fair value recognized in equity	At fair value recognized in profit and loss	Currency translation	Impairment	Net result
LaR	0.0	0.0	0.0	0.0	0.0	(1.7)	**(1.7)**
FLAC	0.1	0.0	0.0	0.0	0.0	0.0	**0.1**
Total	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.7)**	**(1.6)**

	As of December 31, 2015						
			From subsequent measurement				
in mEUR	From interest	From remuneration	At fair value recognized in equity	At fair value recognized in profit and loss	Currency translation	Impairment	Net result
LaR	0.0	0.0	0.0	0.0	(1.0)	(0.2)	**(1.2)**
FLAC	0.1	0.0	0.0	0.0	0.0	0.0	**(0.1)**
Total	**0.1**	**0.0**	**0.0**	**0.0**	**(1.0)**	**(0.2)**	**(1.1)**

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.

8. Financial risk management

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

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

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

Liquidity risks

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

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

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

Credit risk

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

trivago Group`s customer base includes primarily OTAs, hotel chains and independent hotels. Trivago Group perform 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 and affiliates represent 32 % and 39 % of sales for the years ended December 31, 2016 and 2015, respectively, and 31 % and 55 % of total trade receivable as of December 31, 2016 and 2015, respectively. Priceline.com and its affiliates represent 28 % of sales for the year ended December 31, 2016 and 27 % for the year ended December 31, 2015 and 27 % and 21 % of total trade receivable as of December 31, 2016 and 2015, respectively.

Interest rate risk

Because the interest rate on the credit facility is tied to a market rate, trivago Group will be susceptible to fluctuations in interest rates if, consistent with our practice to date, trivago Group do not hedge the interest rate exposure arising from any advances under the credit facility. As of December 31, 2016, 0.0 mEUR (prior year: 20.0 mEUR) are outstanding under our credit facility. A 10 basis point change in the variable interest rate (LIBOR), while all other variables held constant, in the reporting period results in a 20 kEUR (prior year: 10 kEUR) increase in trivago Group's interest expense.

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

Foreign currency risk

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

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact fluctuate in relation to the functional currency of the consolidated entities, the relative composition and denomination of current assets and liabilities for each period, and the effectiveness at forecasting and managing, through balance sheet netting, such exposures. As an example, if the foreign currencies in which trivago Group hold net asset balances were all to weaken by 10% against the euro and other currencies in which trivago Group hold net liability balances were all to strengthen by 10% against the euro, trivago Group would recognize foreign exchange losses of 0.4 mEUR based on the net asset or liability balances of foreign denominated cash, accounts receivable, and accounts payable balances as of December 31, 2016. 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, 2015 and 2016, net foreign exchange rate gains (losses) of (1.0) mEUR and 0.02 mEUR, were recorded respectively.

9. Share-based Payment Plans

In connection with the controlling-interest acquisition of trivago GmbH by Expedia Inc in 2013, certain outstanding trivago employee options as of the acquisition date were replaced with new trivago employee option awards exercisable into trivago Class A shares. The replacement awards were exchanged at acquisition date fair value and maintained their original service-based vesting schedule and strike price of €1. The original service-based vesting period for these awards are between one and three years. The options also contained conditions which allowed holders to put underlying shares to Expedia (and for which Expedia Inc. can call) during prescribed liquidity windows in 2016 and 2018, however, holders are required to exercise options and hold underlying shares for a reasonable period of time prior to liquidation in order to participate in the risks and rewards of equity ownership. Of the 887 option awards outstanding as January 1, 2014, 858 option awards were replaced at the time of Expedia's abcquisition of a controlling interest and the remaining were additional grants in 2013 which contained similar provisions as the replacement awards.

77 and 146 Class A employee share options were granted in 2015 and 2016, respectively. Additionally, 62,178 Class B employee share options were granted in 2015 which have economic and voting rights that are 1/1,000 of a Class A option. Class A and Class B are presented as the same class of shares and Class B option awards are presented in terms of Class A

equivalents. The majority of the employee share options granted in 2015 and 2014 had strike prices of €1 and the remaining were granted with strike prices which approximated the 2013 acquisition date fair value of trivago shares. All option awards granted in 2014 and 2015 contain service based vesting provisions between two and three years. The shares subscribed for underlying the grants in 2015 and 2014 are eligible to participate in prescribed liquidity events originally scheduled to occur in 2016, 2018 and 2020. It is the expectation of the participants that the plans are cash settled.

In the third quarter of 2015, 484 Class A equivalent trivago employee option awards were exercised for nominal proceeds. The underlying shares were held by employees in order to participate in the 2016 liquidity window. Upon exercise of these options, trivago paid employees' personal tax liability related to the option exercise collateralized by the underlying shares and to be repaid by employees from 2016 liquidation proceeds. As the proceeds of 7.1 mEUR were funded by Expedia, trivago recognized a related party payable for this amount which will be repaid to Expedia in 2016 at the time of the liquidation. trivago's extension of this nonrecourse loan to employees triggered an accounting modification and changed the classification of the awards from equity to liability accounting treatment, resulting in a one-time modification charge of 7.3 mEUR and subsequent liability accounting treatment requiring remeasurement to fair value at each reporting period until settlement in 2016. The shareholder loan receivable is netted within the members' liability balance which reflects the value of the liability awards, net of the loan.

There were certain shares held by trivago employees which were originally awarded in the form of share-based options pursuant to the trivago employee option plan and subsequently exercised by such employees. During the second quarter of 2016, Expedia exercised a call right on these shares and elected to do so at a premium to fair value, the aggregate payment of which, 62.5 mEUR, was recorded as a Contribution from Parent in Members' Equity. The exercise resulted in an incremental share-based compensation charge of approximately 43.7 mEUR in the second quarter of 2016 pursuant to liability award treatment. The differential between the cash settlement amount and the incremental share-based compensation charge reflects share-based compensation expense recorded on these awards in previous periods. The 7.1 mEUR million related party payable and the 7.1 mEUR shareholder loan receivable, netted within the members' liability balance, was extinguished due to cash withheld from proceeds paid to employees by Expedia as part of this call right exercised by Expedia. The acquisition of these employee minority interests increased Expedia's ordinary ownership of trivago to 63.5%.

In the third quarter of 2016, 38 class A equivalent trivago employee option awards were exercised for nominal proceeds. All of these awards were liability-classified awards and their subsequent subsequent settlement resulted in a reclassification of 4.2 mEUR from Option liability to Reserves in equity. The options exercised were later called by Expedia, with the options exercised having strike prices in excess of €1. Expedia withheld all of the proceeds from exercise, which resulted in a 0.7 mEUR payment to trivago and an offsetting impact to Reserves in equity.

In conjunction with the IPO of trivago N.V. there was a modification to the trivago option plan on December 22, 2016. The modification converted the options for shares in trivago GmbH into options for shares in trivago N.V. The adjustment to the terms of the options was equitable to the option holder, whereas the fair value calculated before and after the adjustment resulted in no incremental fair value. There was no change to the vesting or service conditions of the awards due to the amendment to the trivago option plan. The liquidity windows in 2018 and beyond are no longer in effect under the amended trivago option plan.

Furthermore, as part of the modification of options for shares in trivago GmbH to options for shares in trivago N.V., all awards are considered to be equity classified awards as of the modification date. Prior to the modification, certain awards with an exercise price higher than €1 were liability classified as the it is the expectation of the participants that the plans are cash settled. However, with the modification, the employees no longer have the option for the Company to settle the options in cash and with the IPO the employees can now have access to a liquid market for the shares of trivago N.V., allowing them to participate in the risks and rewards or equity share ownership. The amendment to the plan and modification resulted in a 5.7 mEUR reclassification of the liability for these options to Reserves in equity and the awards are classified as equity going forward.
In conjunction with the IPO, we established the trivago N.V. 2016 Omnibus Incentive Plan, which we refer to as the 2016 Plan. The maximum number of Class A shares available for issuance under the 2016 Plan is 34,711,009 Class A shares. Management board members, officers, employees and consultants of the company or any of our subsidiaries or affiliates, and any prospective directors, officers, employees and consultants of the company who have accepted offers of employment or consultancy from the company or our subsidiaries or affiliates (excluding supervisory board members) are eligible for awards under the 2016 Plan.

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 to with the supervisory board. Subject to applicable law or the listing standards of the applicable exchange, the plan committee may delegate to other appropriate persons the authority to grant equity awards under the 2016 Plan to our eligible award recipients.

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

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

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

As of December 31, 2016, there were no awards granted under the 2016 Plan.

Under the trivago amended option plan, we may grant share options and other share-based awards to management board and supervisory board members, officers, employees and consultants. We issue new shares to satisfy the exercise or release of share-based awards.
The exercise price of the share options is equal to the market price of the underlying shares on the date of grant.
The contractual term of the share options is seven years and there are no cash settlement alternatives. trivago does not have a past practice of cash settlement for these awards.

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

Expense arising from share-based payment transactions

in mEUR	**2016**	**2015**
Expense arising from equity-settled share-based payment transactions	51.5	2.0
Expense arising from cash-settled share-based payment transactions	—	5.4
Total expense arising from share-based payment transactions	51.5	7.4
Additional modification charges	3.0	6.8

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

Movements during the year of share-based compensation

	No.	**WAEP**	**Remaining contractual life**	**Aggregate intrinsic value**
Outstanding at 1 January, 2014	**887**	**1**		
Granted during the year	180	9.974		
Outstanding at 31 December 2014	**1,067**	**1.683**		
Granted during the year	139	3.871		
Exercised during the year	484	1		
Outstanding at 31 December 2015	**722**	**3.239**		
Granted during the year	221	80.926		
Exercised during the year	39	17.953		
Cancelled during the year	2	1		
Outstanding at 31 December 2016	**902**	**21.637**	**0.77 years**	**68.235**
Outstanding at 31 December 2016 (trivago N.V. equivalents)	**7,704,659**			
Exercisable at 31 December 2016	**517**	**209**	**0.77 years**	**89.663**
Vested and expected to vest after December 31, 2016	**902**	**21.637**	**0.77 years**	**68.235**

Cash received from share-based award exercises for the years ended December 31, 2014, 2015 and 2016 was 0 kEUR, 10 kEUR and 685 kEUR, respectively.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 is 0.77 years. The weighted average fair value of options granted during the year was €80.93 EUR (2015: €3.87).

The range of exercise prices for options outstanding at the end of the year was €129,060.00 to €1,00 (2015: €17,953.00 to €1.00).

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2016 and 31 December 2015:

Inputs to the models used for share-based compensation	2016	2015
Weighted average fair values at the measurement date (€)	34.425	29.496
Dividend yield (%)	0	0
Expected volatility (%)	46	46
Risk–free interest rate (%)	1.31	1.31
Expected life of share options/SARs (years)	2.68	1.82
Weighted average share price	80.926	3.871
Model used	Black-Scholes	Black-Scholes

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

As of December 31, 2016, no shares were redeemed, and no shares were subscribed for in relation to the 2016 Omnibus Incentive Plan. The Company does not expect to redeem any shares for the purpose of implementing the 2016 Omnibus Plan. As per the date of this board report, 4,871,001 of options are outstanding under the 2016 Omnibus Incentive Plan.

10. Other Financial Obligations

Other financial obligations include financial obligations under lease and rental agreements regarding office equipment and office space. These payment obligations are in general minimum lease obligations. Certain leases contain periodic rent escalation adjustments and renewal options. Lease obligations expire at various dates through 2038. For the years ended December 31, 2016 and 2015, rental expense was 4.6 mEUR and 3.3 mEUR, respectively.
Trivago Group expects the following minimum lease payments from non-cancellable rental and lease agreements in the upcoming years.

Operating Leasing

	Nominal value of the future minimum lease payments	
in mEUR	**12/31/2016**	**12/31/2015**
Remaining term of up to 1 year	4.0	4.1
Remaining term of more than 1 year and up to 5 years	28.3	24.3
Remaining term of more than 5 years	38.5	44.1
Total	**70.8**	**72.5**

trivago Group has purchase obligations, which could potentially require our payment in the event of demands by third parties or contingent events. Purchase obligations as of December 31, 2016 were as follows:

Purchase obligations

in mEUR	Nominal value of the future minimum purchase obligations 12/31/2016	12/31/2015
Remaining term of up to 1 year	31.4	25.6
Remaining term of more than 1 year and up to 5 years	9.0	10.5
Remaining term of more than 5 years	0.0	0.0
Total	**40.4**	**36.1**

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.

11. 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 are activities that affect the extent and composition of equity items and the trivago Group borrowings.

12. Related Party Disclosures

The subsidiaries of trivago Group are listed in Note 1.1 “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
Andrej Lehnert
Rolf Schrömgens
Malte Siewert
Johannes Thomas
Peter Vinnnemeier

We consider our management board as “key management”.

We provided our management board with the following cash compensation in the fiscal year 2016:

(in kEUR)	Hefer	Lehnert	Schrömgens	Siewert	Thomas	Vinnemeier
Amounts of periodically-paid remuneration	76	175	96	300	175	175
Bonuses	N/A	88	82	280	88	82
Profit Participation	4	36	N/A	N/A	28	N/A
Total cash compensation	80	299	178	580	291	257

In each case, our management board meet the objectives set forth as a condition for the awarding of the respective bonus paid to them.

We provided our management board with the following cash compensation in the fiscal year 2015:

(in kEUR)	Lehnert	Schrömgens	Siewert	Thomas	Vinnemeier
Amounts of periodically-paid remuneration	102	96	300	102	175
Bonuses	50	29	100	50	29
Profit Participation	N/A	N/A	N/A	N/A	N/A
Total cash compensation	152	125	400	152	204

Our management board held the following options as of December 31, 2016:

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration Date[2]
	23 Sept 2016	1 May 2017, 2018,2019	63,830	€ 0.12	None
Hefer	23 Sept 2016	1 May 2017, 2018,2019	153,192	€ 11.75	None
	1 Oct 2011	1 Oct 2011, 2012, 2013, 2014	188,305	€ 0.06	None
	1 Jan 2013	1 Jan 2014, 2015, 2016	51,356	€ 0.06	None
	18 Mar 2014	7 Jun 2015, 2017	229,788	€ 2.11	None
Lehnert	15 May 2015	31 Jul 2017	102,711	€ 0.06	None
Schrömgens	N/A	N/A	N/A	N/A	N/A
Siewert	N/A	N/A	N/A	N/A	N/A
	1 Sept 2011	1 Sept 2012, 2013, 2014	25,678	€ 0.06	None
	16 July 2013	30 June 2013	8,559	€ 0.06	None
	18 March 2014	7 June 2015, 2017	170,213	€ 2.11	None
	15 May 2015	8 March 2016, 2017, 2018	110,639	€ 2.11	None
	15 May 2015	31 July 2017	102,711	€ 0.06	None
Thomas	15 July 2015	16 July 2015	25,678	€ 0.06	None
Vinnemeiner	N/A	N/A	N/A	N/A	N/A

[1] As described further in the board report, share options granted before our initial public offering are calculated by converting options relating to shares in 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 the IPO. In case of GmbH class B options, the result was divided by 1,000. Holders of GmbH A class options with a former strike price of € 1.00 received in addition a certain portion of NV options as compensation for the requirement of a higher strike price for NV options due to corporate law requirements. In case the numbers relate to the time before the completion of the trivago 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 GmbH level; minor deviations can occur due to rounding.

[2] Unvested options lapse when the beneficiary leaves trivago.

In the fiscal year 2016, Johannes Thomas exercised options at a strike price of €2.11 to receive the equivalent of 102,128 trivago N.V. shares, and Andrej Lehnert exercised options at a strike price of €2.11 to receive the equivalent of 110,639 trivago N.V. shares (it being understood that the above number of shares, in case they relate to the time before the completion of the trivago IPO, are for illustrative purposes only, calculated using the method described above, as the actual option grants and exercises took place on the GmbH level based on the converted trivago GmbH options relating to trivago GmbH interests; minor deviations can occur due to rounding).

Our management board held the following options as of December 31, 2015:

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration Date[2]
	1 Oct 2011	1 Oct 2011, 2012, 2013, 2014	188,305	€ 0.06	None
	1 Jan 2013	1 Jan 2014, 2015, 2016	51,356	€ 0.06	None
	18 Mar 2014	7 Jun 2015, 2017	340,427	€ 2.11	None
Lehnert	15 May 2015	31 Jul 2017	102,711	€ 0.06	None
Schrömgens	N/A	N/A	N/A	N/A	N/A
Siewert	N/A	N/A	N/A	N/A	N/A
	1 Sept 2011	1 Sept 2012, 2013, 2014	25,678	€ 0.06	None
	16 July 2013	30 June 2013	8,559	€ 0.06	None
	18 March 2014	7 June 2015, 2017	255,320	€ 2.11	None
	15 May 2015	8 March 2016, 2017, 2018	127,660	€ 2.11	None
	15 May 2015	31 July 2017	102,711	€ 0.06	None
Thomas	15 July 2015	16 July 2015	25,678	€ 0.06	None
Vinnemeiner	N/A	N/A	N/A	N/A	N/A

1 As described further in the board report, share options granted before our initial public offering are calculated by converting options relating to shares in 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 the IPO. In case of GmbH class B options, the result was divided by 1,000. Holders of GmbH A class options with a former strike price of € 1.00 received in addition a certain portion of NV options as compensation for the requirement of a higher strike price for NV options due to corporate law requirements. In case the numbers relate to the time before the completion of the trivago 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 GmbH level; minor deviations can occur due to rounding.

2 Unvested options lapse when the beneficiary leaves trivago.

In the fiscal year 2015, Johannes Thomas exercised options at a strike price of €0.06 to receive the equivalent of 77,033 trivago N.V. shares, and Andrej Lehnert exercised options at a strike price of €0.06 to receive the equivalent of 213,982 trivago N.V. shares (it being understood that the above number of shares, in case they relate to the time before the completion of the trivago IPO, are for illustrative purposes only, calculated using the method described above, as the actual option grants and exercises took place on the GmbH level based on the converted trivago GmbH options relating to trivago GmbH interests; minor deviations can occur due to rounding).

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 EUR	**2015**	**2016**
Lehnert	1,046,952	4,908,738
Hefer	0	257,609
Thomas	912,260	3,685,223

The aggregate compensation, including benefits in kind, accrued or paid to our supervisory board members with respect to the year ended December 31, 2016, for services in all capacities was €0.0 million. As of December 31, 2016, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our supervisory board members. For the year ended December 31, 2016, no member of our supervisory board was granted equity based compensation. No member of our supervisory board held share options during the fiscal year ended December 31, 2016.

The primary objective of our senior management's compensation program is to attract, motivate, reward and retain the managerial talent needed to achieve our business objectives. In addition, the compensation program is intended to compensate all employees at competitive market rates, while recognizing extraordinary accomplishments. 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 growth 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 a whole, as well as on an individual basis. Once the results of the year are known, bonus payments are determined at the discretion of our board and, with respect to senior management reporting to the CEO, in light of recommendations made by the CEO.

Related party transaction - shareholder

Expedia Inc., the controlled shareholder, indirectly through it subsidiary Expedia Lodging Partnerts S.à r.l., owns 87.4% of the shares. The Company and Expedia Lodging Partnerts S.à r.l. have entered into the Amended and Restated Shareholders' Agreement.

Operating business

trivago Group has commercial relationships with Expedia Inc. and many of its affiliated brands, including Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif and Venere. These are oral arrangements or arrangements terminable at will or upon three to seven days' prior notice by either party and on customary commercial terms that enable Expedia's brands to advertise on our platform, and we receive payment for users we refer to them. Trivago Group also party to a letter agreement pursuant to which Expedia refers traffic to us when a particular hotel or region is unavailable on the applicable Expedia website. Related-party sales from Expedia of 268.2 mEUR and 194.2 mEUR for the years ended December31, 2016 and 2015, respectively, primarily consists of click through fees and other advertising services provided to Expedia and its subsidiaries. These amounts are recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Related-party sales represented 36 % and 39 % of our total revenue for the years ended December 31, 2016 and 2015, respectively.

Operating expenses include a related-party shared services fee of 4.2 mEUR and 2.8 mEUR for the years ended December 31, 2016 and 2015, respectively. This shared service fee is comprised of allocations from Expedia for legal, tax, treasury, audit and corporate development costs and includes an allocation of employee compensation within these functions. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses which trivago Group considers reasonable estimates.

The related party trade receivable balances with Expedia and its subsidiaries reflected in the consolidated financial statements as of December 31, 2016 and 2015 were 16.5 mEUR and 23.6 mEUR, respectively. The related party trade payable balances with Expedia and its subsidiaries reflected in the consolidated financial statements as of December 31, 2016 are immaterial prior year: 7.1 mEUR).

Guarantees

On September 5, 2014, trivago GmbH entered into an uncommitted credit facility with Bank of America Merrill Lynch International Ltd. with a maximum principal amount of 10.0 mEUR. Advances under this facility bear interest a rate of LIBOR plus 1.0% per annum. This facility may be terminated at any time by the lender. The obligations under this facility are guaranteed by Expedia. On December 19, 2014, trivago GmbH entered into an amendment to this facility pursuant to which the maximum principal amount was increased to 50.0 mEUR. trivago GmbH utilized 20.0 mEUR the 50.0 mEUR credit facility to fund capital requirements in 2015. During the year ended December 31, 2016, trivago GmbH utilized an additional 20.0 mEUR under our credit facility and subsequently repaid a total of 40.0 mEUR of this obligation.
On July 23, 2015, trivago GmbH entered into an agreement to design and build our new headquarters building in Dusseldorf, Germany. As part of that agreement, Expedia has guaranteed certain payments due by trivago GmbH under the contract which are expected to commence on May 31, 2017. The guarantee by Expedia ends upon receipt of a bank guarantee by trivago GmbH, but in any case not later than December 31, 2018.

Loans

In 2014, Expedia issued a loan of 1.0 mEUR to trivago GmbH in conjunction with acquisition of Rheinfabrik in 2014. The loan was subsequently repaid by trivago GmbH during 2015.

Service agreements

On May 1, 2013, trivago GmbH entered into an Assets Purchase Agreement, pursuant to which Expedia purchased certain computer hardware and software from trivago GmbH, and a Data Hosting Services Agreement, pursuant to which Expedia provides trivago GmbH with certain data hosting services relating to all of the servers trivago Group use that are located within the United States. Either party may terminate the Data Hosting Services Agreement upon 30 days' prior written notice. No material expenses were incurred.

13. 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	**2016**	**2015**
Interest-bearing loans and borrowings	0.0	20.0
Less: Cash and cash equivalents	(227.3)	(17.6)
Net debt	**(227.3)**	**2.4**
Equity	247.3	5.0
Total capital	**247.3**	**5.0**
Capital and net debt	**20.0**	**7.5**

14. 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	**2016**	**2015**
Audit fees*	2.2	0.9
Tax fees	0.0	0.0
Total	**2.2**	**1.0**

In the financial year audit fees also comprise fees in connection with the IPO.

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

15. Events after the Reporting Date

After the date of the balance sheet through the date of issuance of these consolidated financial statements, options exercised resulted in share issuance of 194.256 Class A shares.

11. trivago N.V.
Company Financial Statements
as of December 31, 2016

trivago N.V.

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trivago N.V.
Company Financial Statements
1. Statement of Profit or Loss
for the period from November 7, 2016 to December 31, 2016

in kEUR	Notes	11/7/2016 - 12/31/2016
Expenses		
General and administrative expenses	3.3 / 3.4	(5,491)
Result before tax		**(5,491)**
Income tax expenses	3.5	—
Net income from affiliated companies after taxation	3.6	4,182
Profit (loss) for the year		**(1,309)**

trivago N.V.
Company Financial Statements
2. Statement of Financial Position before appropriation of results
as of December 31, 2016

in KEUR	Notes	As of December 31, 2016
Investments in subsidiaries	3.6	155,238
Non-current assets		**155,238**
Cash and cash equivalents	3.7	30,001
Current assets		**30,001**
Assets		**185,239**
Common stock A shares	3.8	1,802
Common stock B shares	3.8	125,405
Capital reserves	3.8	47,483
Legal reserves	3.8	1,777
Profit (loss) for the period	3.8	(1,309)
Total equity		**175,158**
Trade payables	3.9	8,745
Other liabilities	3.9	1,336
Current liabilities		**10,081**
Equity and liabilities		**185,239**

3. Notes to the Company Financial Statements

3.1 General information & basis of preparation

The description of the activities and the structure of the 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 note 1.3, Summary of significant accounting policies of the consolidated financial statements and are deemed incorporated and repeated herein by reference.

3.2 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.

Notes to the statement of Profit or Loss

3.3 General and administrative expenses

General and administrative expenses in the amount of 5.491kEUR mainly include expenses in connection with the IPO (5,112 kEUR) and personnel expenses (379 kEUR).

3.4 Personnel expenses

Personnel expenses by cost type consist only of share based compensation (379 kEUR).

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 amounts to 9 at the end of the reporting period. All employees are employed outside the Netherlands.

For the remuneration of the members of both the Board of Management and the Supervisory Board, please refer to note 12, Related Party Disclosures in the consolidated financial statements which is deemed incorporated and repeated herein by reference.

3.5 Income taxes

trivago is a 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 2016 amounts to approximately 15.405 %. Therefore, the expected tax rate is 31.2 %.

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

Tax reconciliation

in kEUR	**11/7/2016 - 31/12/2016**
Result before income tax	**(5,491)**
Group statutory tax rate	31.2%
Income taxes based on group average tax rate	**1,713**
Tax loss carryforwards from the current year that are not recognized	**(1,713)**
Effective tax expenses as per income statement	**—**

Notes to the statement of Financial Position

3.6 Investments in subsidiaries

As of December 31, 2016 trivago holds 68,3 % of trivago GmbH, Germany. trivago operates and controls all of the business and affairs of trivago GmbH and its subsidiaries.

Investments in subsidiaries	
in kEUR	
At 7 November 2016	
Net book value	—
Movements in book value 2016:	
Contribution from parent	24,209
Additional investment, net*	122,309
Reclassification of option liability to reserves	3,873
Changes in ownership of non-controlling interests	669
Share-based compensation	166
Dividend	(170)
Result for the period	4,182
Investments, ending balance	155,238

As of December 31, 2016 there are no accumulated revaluations, depreciation or impairment charges related to investments of subsidiaries.

* A total payment amounting to 177,840 kEUR resulted to a net increase in investment of 122,309 kEUR.

3.7 Cash and cash equivalents

in kEUR	**As of December 31, 2016**
Cash at banks and on hand	30,001
Total	**30,001**

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.

3.8 Equity

in kEUR	Issued capital	Capital reserves	Legal reserves	Unappropriated results	Retained earnings	Total equity
Incorporation at November 7, 2016	—	—	—	—	—	—
Corporate reorganisation	125,957	(101,747)				**24,209**
Proceeds from IPO, including 4.919k transaction costs	1,250	201,671		—	—	**202,921**
Dilution as a result of changes in ownership of subsidiary		(55,532)				**(55,532)**
Reclassification of option liability to reserves		3,873				**3,873**
Dilution as a result of changes in ownership of subsidiary		669				**669**
Transfer of reserves to legal reserve, due to internally developed software		(1,777)	1,777			—
Share-based compensation expense		544				**544**
Dilution as a result of dividend paid by subsidiary		(170)				**(170)**
Other movements		(49)				**(49)**
Profit/(Loss) for the year				(1,309)	—	**(1,309)**
December 31, 2016	**127,207**	**47,483**	**1,777**	**(1,309)**	—	**175,158**

Capital stock
As of December 31, 2016, trivago had ADSs representing 30,026,635 Class A shares outstanding (par value €0,06), 209,008,088 Class B shares outstanding (par value €0,60) and the Founders will have the right to exchange their shares in trivago GmbH for 110,791,880 Class A shares or Class B shares in trivago N.V. subject to applicable limitations imposed under federal securities law. As of December 31, 2016 700,000,000 Class A shares and 320,000,000 Class B shares are authorized.
The outstanding shares as of December 31, 2016 represent to total number of additions in shares during the year, where no other movements took place.

Class A and Class B common stock has a par value of €0.06 and €0.60, respectively. 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. All other terms and preferences of Class A and Class B common stock are the same.

Capital reserves
The other capital reserves increased due to the premiums from the issue of shares. The directly attributable transaction costs of the capital increase (4,919 kEUR) were deducted from the share premium (206,590 kEUR).

Legal reserves
A legal reserve is included for internally developed capitalized software which is included in the subsidiary trivago GmbH.

Loss for the period
An unappropriated loss for the period of 1,309 kEUR exists as of December 31, 2016.

3.9 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 amount to 8,745 kEUR.

Other liabilities in the amount of 1,336 kEUR mainly consist of financial liabilities. Financial liabilities mainly result from outstanding invoices in connection with the IPO.

3.10 Auditors' Fees

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

3.11 Events after the reporting date

After the date of the balance sheet through the date of issuance of these financial statements, options exercised resulted in share issuance of 194,256 Class A shares.

3.12 Appropriation of results for the year

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.

A proposal will be submitted to the 2017 Annual General Meeting of Shareholders to add the loss to retained earnings.

Signature page to the Dutch statutory board report and financial statements of trivago N.V. for the fiscal year ended 31 December 2016.

Düsseldorf, Germany May 22, 2017.

Management Board

R.T.J. Schrömgens	A.P. Hefer
P. Vinnemeier	M. Siewert
T.J. Thomas	A.G. Lehnert

Supervisory Board

D. Khosrowshahi	D. Schneider
M.D. Okerstrom	L.N. Östberg
M.S. de Schepper	F.G. Mazzella
P.M. Kern	

12. Other Information

12.1. 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.

A proposal will be submitted to the 2017 Annual General Meeting of Shareholders to add the loss to retained earnings.

12.2. 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 2016, majority of class B shares were held by Expedia Lodging Partner Services S.à r.l.

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

12.3. 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.

12.4. Other establishments

The Company does not have any other establishments in addition to the Company's offices at Bennigsen-Platz 1, 40474 Düsseldorf, Germany.

Independent auditor’s report

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

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of trivago N.V., based in Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of trivago N.V. as at 31 December 2016 and of its result and its cash flows for the year 2016 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 2016, and of its result for the year 2016 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 2016
- The following statements for the year 2016: Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes of Equity and Consolidated Statement of 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 2016
- The company Statement of Profit or Loss for the year 2016
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of trivago N.V. in accordance with the 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.

Materiality

Materiality	€3.700.000
Benchmark applied	0,5% of revenue
Explanation	Based on our professional judgment we have considered an activity-based measure, such as revenue, 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 misstatements into account and/ or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Any misstatements in excess of €185.000, which are identified during the audit, would be reported to the supervisory board, 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.

Our group audit mainly focused on the statutory entity trivago N.V. and the significant group entity trivago GmbH with its statutory seat in Düsseldorf, Germany, as all operations of the group take place within that entity. We have used the work of an EY component auditor when auditing trivago GmbH.

Our audit coverage for total revenues and per account balance included in the key audit matters can be summarized as follows:

- For revenues, our audit procedures achieved a coverage of 99%
- For all other items included in the key audit matters, our audit procedures achieved a coverage of 100%

By performing the procedures mentioned above, 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.

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.

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.

Key audit matters	**Our audit approach**
Internal control over financial reporting (Dutch Statutory Board Report section 4.2.2)	
The Company has identified a material weakness in internal control over financial reporting. The material weakness relates to the lack of sufficient accounting and supervisory personnel with the appropriate level of technical accounting experience and training necessary or processes and procedures, particularly in the areas of share-based compensation, capitalization of internal use software and website development costs and other complex, judgmental areas and consequently must rely on the assistance of outside advisors with expertise in these matters to assist the company in their preparation of the financial statements and their compliance with reporting requirements.	We obtained an understanding of management's remediation actions to offset the lack of internal accounting expertise. We applied heightened skepticism in performing our audit procedures in relation to more complex or judgmental accounting areas and were able to satisfactorily complete all our audit procedures as originally planned.
Revenue recognition (note 5.1)	
Revenue is significant as it is one of the key indicators of the company's performance and focus of the users of the financial statements. Cost per click (CPC) and referral revenue accounts for the majority of the Company's revenue (over 95%), which is driven by each customer's click on an advertiser. CPC revenue is largely processed within underlying IT systems at the Company. Given the importance and complexity of the underlying IT systems revenue recognition is significant to our audit and therefore identified as a key audit matter.	We designed our audit procedures to be responsive to this risk. We obtained an understanding of the (IT-) processes related to revenue recognition and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed a combination of internal control and substantive audit procedures to address the risk relating to revenue recognition. Our focus included examining agreements with significant customers, audit procedures on the applicable IT systems, performing extensive sales cut-off procedures and performing analytics over key revenues streams including the relation to marketing spent and comparisons with prior periods. Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

Capitalized self-developed software/website (note 6.1)	
Development costs are capitalized based on management's judgment that technological feasibility and economic profitability is probable, as required under IAS 38. Capitalized software development costs at 31 December 2016 amount to €2.6 million. Capitalization of development costs includes significant estimates and is therefore identified as a key audit matter.	We designed our audit procedures to be responsive to this risk. We obtained an understanding of the process related to the capitalization of software development cost and evaluated the design of controls in this area relevant to our audit. Our focus included evaluating and testing key assumptions used in the valuation of the capitalized software including: the estimated man days, cost per man day, go live date, project inclusion and quality assurance assumption. We performed sensitivity analysis related to the assumptions. In addition to the above, we performed testing over significant additions to capitalized software.
Valuation of Share-based Compensation (note 9)	
Prior to the Initial Public Offering (IPO) trivago has several share-based compensation (SBC) schemes in place which include both equity settled and cash settled plans. Also there were several modifications to the schemes. Following the IPO SBC schemes were unified in one Omnibus Plan. The valuation of SBC involves significant judgment in determining the fair value of shares and options. SBC is significant to our audit and includes significant judgment on classification and estimates on fair value and is therefore identified as a key audit matter.	We obtained an understanding of the Share-based Compensation Process including an understanding of the applicable SBC plans and modifications. We performed detailed audit procedures on amongst others: testing option grants (in accordance with agreements), evaluating the classification of awards as either equity or liability based on the agreement terms, confirming outstanding awards, testing option forfeitures and exercises, testing the valuation input assumptions, and performing an independent recalculation of the expense recognized during the year. We also considered accounting impacts of any non-standard stock-based compensation terms (i.e., extended exercise periods, modifications, and market or performance-based conditions). We engaged EY valuation specialists to evaluate and conclude on the reasonableness of methodologies and key assumptions used in the fair value estimation prepared by trivago. We also reviewed the prospective financial information utilized in these valuations.
Completeness and recognition of IPO Expenses/restructuring (note 5.5)	
As the expenses related to the IPO are unusual in nature and of a material amount we considered these significant to our audit. The incremental and directly attributable part of the expenses that otherwise would have been avoided is recognized in equity (€4.9 million), the remainder is recognized in the (Consolidated) Statement of Profit and Loss (€5.1 million). trivago GmbH has been contributed into trivago N.V. as per 16 December 2016 which given the nature of the transactions was significant to our audit.	We reconciled the IPO expenses incurred to contracts and invoices. We tested the completeness and accuracy of the related year-end accruals by obtaining communication with the relevant suppliers. We specifically tested if the amount recorded in equity related to incremental and directly attributable part of the expenses relating to the IPO that otherwise would have been avoided considering the requirement of IAS 32.37. We have tested the contribution of trivago GmbH in trivago N.V. has been properly accounted for in the Company Financial Statements.
Completeness and existence of Marketing Accrual (note 6.9)	
Marketing accruals amount to €12.7 million at 31 December 2016. The accruals are significant and involve a level of estimation relating to cut-off, and are therefore considered as a key audit matter.	We obtained an understanding of the accrual process and performed substantive testing procedures on all significant marketing accruals. The testing procedures included performing analytical procedures, reconciliation to underlying documentation and search for unrecorded liabilities.

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:

- Dutch statutory board report
  - Introduction
  - Company and Business Overview
  - Financial Overview
  - Risk Management and Risk Factors
  - Corporate Governance
  - Compensation Report
  - Related Party Disclosures
  - Protective Measures
  - Outlook
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 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 less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report (refer to Dutch statutory board report above) in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

Following the appointment by the general meeting of shareholders on 16 December 2016, we were engaged by the supervisory board as auditor of trivago N.V. on 21 February 2017, as of the audit for the year 2016 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment 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 have detected all material errors and fraud.

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. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and 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
- 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

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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, 22 May 2017

Ernst & Young Accountants LLP

Signed by P.J.A. Gabriëls