Annual report of trivago N.V.
for the fiscal year ended 31 December 2018

Table of Contents

Dutch Statutory Board Report

1. Introduction 3
2. Company and Business Overview 4
3. Financial Overview 16
4. Risk Management and Risk Factors 28
5. Corporate Governance 53
6. Compensation Report 62
7. Related Party Disclosures 66
8. Protective Measures 70

Financial Statements 2018

9. Consolidated Financial Statements 70
10. Company Financial Statements 123

Other Information

11. Other Information 137
12. Independent Auditor's Report 138

1. Introduction

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

Unless otherwise specified, all monetary amounts are in euros. All references in this annual report to “$,” “US$,” “U.S.$,” “U.S. dollars,” “dollars” and “USD” mean U.S. dollars, and all references to “€” and “euros,” mean euros, unless otherwise noted.

We have historically conducted our business through trivago GmbH, and therefore our historical financial statements prior to our initial public offering that was completed on December 16, 2016, or IPO, present the results of operations and financial condition of trivago GmbH and its controlled subsidiaries. In connection with our IPO, trivago N.V. became the holding company of trivago GmbH, and the historical consolidated financial statements of trivago GmbH became the historical consolidated financial statements of trivago N.V. On September 7, 2017, the merger of trivago GmbH into and with trivago N.V. became effective. We refer to such merger as the cross-border merger. Pursuant to the cross-border merger, Messrs. Schrömgens, Vinnemeier and Siewert (whom we collectively refer to as our Founders) exchanged all of their units of trivago GmbH remaining after our pre-IPO corporate reorganization for Class B shares of trivago N.V.

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

1.1. Preparation

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

1.2. Special note regarding forward-looking statements

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

- our ability to grow our revenue in future periods, or at rates deemed sufficient by the market without reducing our profits or incurring losses;
- our dependence on a relatively small number of advertisers for our revenue and adverse impacts that could result from their reduced spending or changes in their bidding strategy;
- factors that contribute to our period-over-period volatility in our financial condition and result of operations;
- our dependence on general economic conditions and adverse impacts that could result from declines in travel or discretionary spending;
- the effectiveness of our advertising spend, including as a result of increased competition or inadequate or ineffective innovation in or execution of our advertising;
- the effectiveness of our measures to increase advertiser diversity on our marketplace;
- increasing competition and consolidation in our industry;
- our focus on hotel and other accommodations if users expect other services;
- our ability to innovate and provide tools and services that are useful to our users and advertisers;
- our dependence on relationships with third parties to provide us consumer reviews;
- our reliance on search engines, which may change their business models or algorithms;

- changes to and our compliance with applicable laws, rules and regulations;
- the impact of any legal and regulatory proceedings to which we are or may become subject;
- potential disruptions in the operation of our systems, security breaches and data protection; and
- impacts from our operating globally.

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

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

2. Company and Business Overview

2.1. History and development of the Company

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

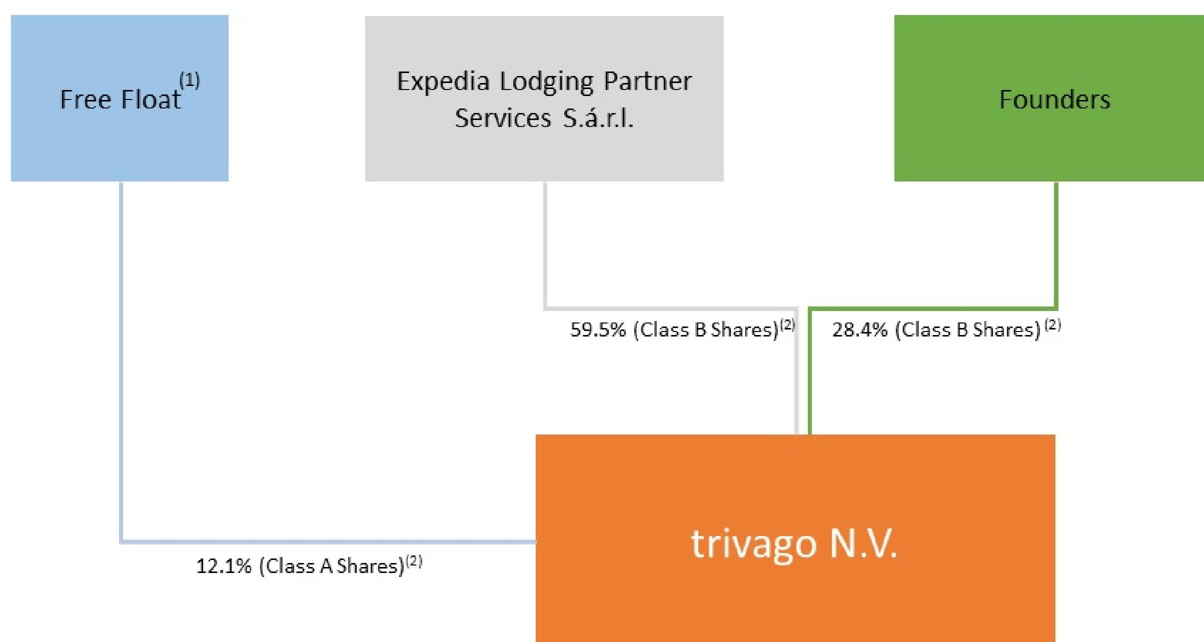
We are registered with the Trade Register of the Chamber of Commerce in the Netherlands (*Kamer van Koophandel*) under number 67222927. Our corporate seat is in Amsterdam, the Netherlands, and our registered office is at Kesselstraße 5 - 7, 40221 Düsseldorf, Germany (under number HRB 79986). Our telephone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

As of December 31, 2018, we had 1,354 employees (prior year: 1,609 employees).

2.2. Organizational structure

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

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



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

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

2.3. Property, plant and equipment

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

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

2.4. Business Overview

2.4.1. Overview

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

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

We believe that the number of travelers accessing our websites and apps makes us an important and scalable marketing channel for our advertisers, which include OTAs, hotel chains, independent hotels and providers of alternative accommodation. Additionally, our ability to refine user intent through our search function allows us to provide advertisers with transaction-

ready referrals. We generate revenues primarily on a "cost-per-click," or CPC, basis, whereby an advertiser is charged when a user clicks on an advertised rate for a hotel or other accommodation and is referred to that advertiser's website where the user can complete the booking. The CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Our CPC bidding function enables our advertisers to influence their own return on investment and the volume of referral traffic we generate for them. Recognizing that advertisers on our marketplace have varying objectives and varying levels of marketing resources and experience, we provide a range of services to enable advertisers to improve their performance on our marketplace.

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

Our revenue has grown significantly since our incorporation in 2005. In the years ended December 31, 2017 and 2018, we generated revenue of €1,035.4 million and €914.8 million respectively. During the same periods, we had net losses of €(14.7) million and €(22.2) million, respectively.

2.4.2. trivago's search platform

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

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

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

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

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

- Hotel information: We display information that we believe is relevant to the user, such as the hotel name, pictures, amenities, star rating and distance to selected location;
- trivago ratings index: We aggregate millions of ratings globally. We produce a score for each property, which is updated daily to render relevant and valuable insights for our users while saving them time when searching for the ideal hotel or other accommodation. The rating is a single, easy-to-use score out of ten;
- Reviews: We provide reviews from third parties in a clear and concise format; and
- Price comparison: We prominently display a suggested advertised deal for each hotel or other accommodation, while also listing additional available offers from our advertisers in a list format, including room types, amenities and payment options. To learn more about how we determine the prominence given to offers and their placement in our search results, see "*2.4.5. Marketplace*" below.

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

2.4.2.1 Product changes in 2018

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

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

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

2.4.2.2 Alternative accommodation

As of December 31, 2018, we offered access on our search platform to more than 1.5 million units of alternative accommodation, such as vacation rentals and private apartments. We are focused on broadening the value proposition that we offer our users by empowering them to compare across multiple different accommodation types. For more information, see below "*2.4.10.1. Broadening value proposition*."

2.4.3. Marketing

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

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

2.4.3.1. Brand marketing

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

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

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

2.4.3.2. Performance marketing

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

2.4.3.3. Allocation of marketing spend

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

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

2.4.4. Advertiser relations

Our advertiser relations team seeks to provide tailored advice to each of our existing and prospective OTAs, providers of alternative accommodation, hotel chains and independent hotel advertisers. We have dedicated sales teams that manage the process of on-boarding advertisers, maintain ongoing relationships with advertisers, work with advertisers to help them optimize their outcomes from the trivago platform and provide guidance on additional tools and features that could further enhance advertisers’ experience. We aim to remain in close dialogue with OTAs and sophisticated hotel chains to better understand each advertiser’s specific needs and objectives in order to offer optimal solutions through our marketplace.

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

2.4.4.1. Marketing tools and services for advertisers

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

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

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

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

- *trivago Intelligence* provides holistic control for our advertisers that wish to closely manage and analyze their advertising on our marketplace. It allows them to bid on individual hotels with a high degree of granularity and control, provides metrics and feedback on specific advertising campaigns and offers advice to optimize bidding strategies and drive additional referrals.
- *Automated Bidding* allows OTAs, hotel chains and independent hotels to bid efficiently on listings. Advertisers are able to decide the traffic volumes or return on advertising investment they wish to reach and the tool will automatically set and adjust bids according to the target. We believe this is an especially valuable tool for advertisers that are less familiar with online bidding models, although it is our belief that larger, more experienced advertisers will also value the efficiency Automated Bidding provides.
- *Express Booking* helps our advertisers drive bookings by providing the option of an easy booking method within our marketplace. Although the booking information is completed on our site, the advertiser processes payments directly, confirms the booking and provides any booking support. We also prominently feature the brand of the advertiser taking the booking, allowing our advertisers to continue to build their own brand within our marketplace.

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

2.4.5. Marketplace

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

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

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

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

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

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

2.4.6. Our market opportunity

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

2.4.6.1. Challenges for travelers

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

2.4.6.2. Challenges for our advertisers

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

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

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

2.4.7. Benefits for our users

2.4.7.1. Global aggregation of real-time accommodation supply

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

2.4.7.2 Increased price competition and reduced search costs

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

2.4.7.3 Tailored search function

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

2.4.7.4. Deep content and easy-to-use information on hotels and other types of accommodation

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

2.4.8. Key benefits for advertisers

2.4.8.1. Broad traveler reach

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

2.4.8.2. Delivery of transaction-ready referrals

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

2.4.8.3. Market-driven, referral-based pricing structure

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

2.4.8.4. Improve advertisers' competitiveness

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

2.4.9. Our strengths

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

2.4.9.1. Industry-leading product and user experience

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

2.4.9.2. Significant scale

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

2.4.9.3. High brand recognition

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

2.4.9.4. Powerful data and analytics

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

2.4.10. Our strategy

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

The supervisory board supervises the manner in which the management board realizes the Company's long-term value creation strategy. At least once per year, the supervisory board discusses this strategy, its implementation and the principal risks associated with it.

2.4.10.1. Broadening value proposition

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

2.4.10.2. Product improvements

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

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

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

2.4.10.3. Marketplace improvements and tools for advertisers

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

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

2.4.10.4. Focus on lifetime value of the customer

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

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

2.4.10.5. Brand building

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

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

2.4.11. Our customers

Customers that pay to advertise on trivago include:

- OTAs, including large international players, as well as smaller, regional and local OTAs;

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

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

Nearly all of our agreements with advertisers, including our agreements with our three largest advertisers, may be terminated at will or upon three to seven days' prior notice by either party. For more information on risks related to the concentration of our revenue and our relationship with our largest advertisers, see "*4.2 Risk Factors*".

2.4.12. Competition

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

2.4.12.1. Competition for users

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

Our principal competitors for users include:

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

2.4.12.2. Competition for advertisers

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

Our principal competitors for advertisers' marketing spend include:

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

2.4.13. Our employees and culture

We believe that our entrepreneurial corporate culture, flexible working hours and flat organizational structure are key ingredients to our success. These have been designed to reflect the fast-moving technology space in which we operate, as well as our determination to remain pioneers in our field. Our employees operate as entrepreneurs in their areas of responsibility, continuously striving for innovation and improvement. We encourage our employees to take on new challenges within the company regularly to broaden their perspective, accelerate their learning, ensure a high level of motivation and foster

communication. Cultural fit is a key part of our recruiting process, as we seek to hire individuals comfortable working in a flat organizational structure that rewards those who take initiative and continuously seek to understand and learn, take risks and innovate. We regard failure as an opportunity to learn and inform improved approaches going forward.

Internally, we distill our values into six core qualities:

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

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

We have identified three core leadership roles:

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

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

We believe that moving employees into different leadership roles will help him or her use the expertise they have gained at trivago to challenge our thinking in different areas and to promote innovation. Our new leadership framework is intended to prevent us from forcing employees into pre-determined career development paths, which they did not actively choose to follow, and to create an environment where each employee can naturally come across opportunities to help them learn and grow. By doing this, we plan to give employees the necessary freedom in their work in order for them to shape their own professional journeys while at trivago.

We have adopted a code of business conduct and ethics that applies to all of our employees, members of our senior management and members of our management board and supervisory board, including those members of our senior management responsible for financial reporting. Our code of ethics is posted on our company website at: http://ir.trivago.com/phoenix.zhtml?c=254450&p=irol-govHighlights. We will disclose any substantive amendments to the code of business conduct and ethics, or any waiver of its provisions, on our website. In 2018, we were notified of no incidents under our related Employee Complaint Procedures (Whistleblower) Policy.

2.4.14. Seasonality

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

2.4.15. Intellectual property

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

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

2.4.16. Government regulation

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

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

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

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

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

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

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

2.4.17. Technology and infrastructure

2.4.17.1. Data and proprietary algorithms

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

2.4.17.2. Infrastructure

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

2.4.17.3. Software

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

2.4.18. Legal proceedings

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

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

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

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

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

2.4.19. Corporate social responsibility

trivago acknowledges the importance of corporate social responsibility and aims to conduct its business in the most sustainable manner. In 2018, we focused on assisting local communities and engaging our talents in volunteer activities to support diverse communities in need, including refugees, homeless and youth. Our work has been implemented through the collaboration with major charity institutions that manage diverse projects that need support from companies and individuals. We look forward to continue developing our community engagement activities.

3. Financial Overview

3.1. Selected financial data

The selected consolidated financial data for each of the years ended December 31, 2017 and 2018 have been derived from our audited consolidated financial statements and notes thereto set forth in section 9 of this annual report.

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

(in thousands, except share and per share data)

		2017		**2018**
Consolidated statement of operations:				
Sales	€	1,035,383	€	914,816
Cost of sales		6,008		5,468
Gross profit		**1,029,375**		**909,348**
Selling and distribution expenses		948,597		806,001
Technology and content		53,367		68,326
General and administrative expenses		47,884		56,087
Other operating income (expense)		(2,599)		(682)
Operating profit (loss)		**(17,875)**		**(20,384)**
Financial result		(44)		(2)
Profit (loss) before taxes		(17,919)		(20,386)
Income taxes		(3,241)		1,832
Profit (loss) for the year		**(14,678)**		**(22,218)**
Attributable to:				
Equity holders of the parent		(14,572)		(22,218)
Non-controlling interest		(106)		—
Weighted average shares of Class A and Class B common stock outstanding - basic and diluted		274,666		350,852
Earnings per share attributable to Class A and Class B common stockholders - basic and diluted	€	(0.05)	€	(0.06)

3.1.1. Balance Sheet Data:

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

		As of December 31,		**As of December 31,**
(in thousands)		**2017**		**2018**
Cash	€	190,201	€	161,871
Total assets		330,092		314,963
Total current liabilities		77,600		58,637
Total equity	€	251,340	€	252,615

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)		**2017**		**2018**
Cash provided by (used in):				
Operating activities	€	(10,292)	€	(4,400)
Investing activities		(18,286)		(23,820)
Financing activities		(7)		(62)

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

Our net losses for the years ended December 31, 2017 and 2018 were €14.7 million and €22.2 million, respectively.

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

3.2.2.1. How we earn and monitor revenue

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

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

3.2.2.2. Qualified Referrals

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

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

We had 727.1 million and 668.3 million Qualified Referrals for the years ended December 31, 2017 and 2018, respectively, representing an annual growth rate of (8.1)%.

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

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

	Year ended December 31,		% Change
(in millions) (unaudited)	**2017**	**2018**	**2018 vs 2017**
Americas	203.4	182.3	(10.4)%
Developed Europe	295.5	246.7	(16.5)%
Rest of World	228.3	239.3	4.8 %
Total	727.1	668.3	(8.1)%

Note: Some figures may not add due to rounding.

3.2.2.3. Revenue per Qualified Referral (RPQR)

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

RPQR = RPR x click-out rate

where

RPR = revenue per referral

click-out rate = referrals / Qualified Referrals

RPQR is determined by the CPC bids our advertisers submit on our marketplace as the CPC bids submitted by our advertisers play an important role in determining the prominence given to offers and their placement in our search results. Advertisers can analyze the number of referrals obtained from their advertisements on our marketplace and the consequent value generated from a referral based on the booking value they receive from users referred from our site to determine the amount they are willing to bid. Accordingly, the bidding behavior of our advertisers is influenced by the rate at which our Qualified Referrals result in bookings on their websites, or booking conversion, and the amount our advertisers obtain from Qualified Referrals as a result of hotels and other accommodation booked on their sites, or booking value. We refer to the degree to which we are able to capture our share in the overall estimated booking revenues generated by our advertisers from our referrals as "commercialization." The quality of the traffic we generate for our advertisers increases when aggregate booking conversion and/or aggregate booking value increases. We estimate overall booking conversion and booking value from data voluntarily provided to us by certain advertisers to better understand the drivers in our marketplace and, in particular, to gain insight into how our advertisers manage their advertising campaigns. While we believe that the quality of the traffic we referred to our advertisers improved in the second half of 2018, the information we used as the basis for this analysis is subject to a number of uncertainties, including those related to the accuracy of the information we receive from certain of our advertisers and the methodologies we and our advertisers use to track and analyze whether a user ultimately completes a booking. Assuming unchanged dynamics in the market beyond our marketplace, we would expect that the higher the potential booking value or conversion generated by a Qualified Referral and the more competitive the bidding, the more an advertiser is willing to bid for a hotel advertisement on our marketplace. This means that the levels of advertisers' CPC bids generally reflect their view of the likelihood that each click on an offer will result in a booking by a user. We believe our attribution model and product optimization measures have contributed to continuous improvement in our referred traffic quality, which have had a positive effect on our RPQR notably in the fourth quarter of 2018. However, the dynamics in the market beyond our marketplace are not static, and we believe that our advertisers continuously review their Advertising Spend on our platform and on other advertising channels, and continuously seek to optimize their allocation of their spending among us and our competitors.

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

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

	Year ended December 31,		% Change
RPQR in € (unaudited)	**2017**	**2018**	**2018 vs 2017**
Americas	1.93	1.73	(10.4)%
Developed Europe	1.44	1.54	6.9%
Rest of World	0.89	0.86	(3.4)%
Total	1.40	1.35	(3.6)%

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

	Year ended December 31,
% increase in RPR (unaudited)	**2018 vs 2017**
Americas	2.6%
Developed Europe	19.6%
Rest of World	6.3%
Total	5.6%

	Year ended December 31,
% increase in number of referrals (unaudited)	**2018 vs 2017**
Americas	(21.2)%
Developed Europe	(24.7)%
Rest of World	(5.2)%
Total	(17.3)%

	Year ended December 31,
% increase in Qualified Referrals (unaudited)	**2018 vs 2017**
Americas	(10.4)%
Developed Europe	6.9 %
Rest of World	(3.4)%
Total	(3.6)%

	Year ended December 31,
% increase (decrease) in click-out rate referrals (unaudited)	**2018 vs 2017**
Americas	(12.1)%
Developed Europe	(9.8)%
Rest of World	(9.6)%
Total	(10.0)%

3.2.2.4. Return on advertising spend (ROAS)

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

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, 2017 and 2018 was as follows:

(unaudited)	Year ended December 31, 2017	2018
Americas	116%	121%
Developed Europe	131%	143%
Rest of World	92%	100%
Total	115%	123%

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

3.2.2.5. Marketplace dynamics

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

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

3.2.3. Recent trends in our business

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

3.2.3.1. Changing dynamics on our marketplace

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

3.2.3.2. Focus on profitability

Starting late in the second quarter of 2018, we made improved profitability our focus. To do this, we began to optimize and recalibrate our Advertising Spend to adapt to the changing dynamics on our marketplace. We began to make these changes at the end of the second quarter of 2018 across all of our segments, and they were reflected in reduced brand marketing expenditure and increased return on investment targets for our performance marketing campaigns. While these measures improved our profitability, they also led to a reduction in traffic to our platform attributable to all marketing channels and accordingly resulted in a reduction in the number of Qualified Referrals, which was particularly evident in the second half of 2018.

3.2.3.3. Measures designed to maximize the lifetime value of the user

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

As we optimized our Advertising Spend (as described above) and continued to implement measures aimed at optimizing our platforms and product, we were able to improve the quality of the traffic that we referred to our advertisers notably in the

second half of 2018 in Developed Europe and slightly in Rest of World (or "RoW"), which was evident in the development of RPQR in these segments in the fourth quarter of 2018. Reflecting this, we saw positive signs, particularly in the fourth quarter of 2018, that our largest advertisers reacted positively to the improved quality of traffic that we referred to them by increasing their average CPC bids on our platform.

3.2.3.4. Referral Revenue split among our segments

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

3.2.3.5. Mobile products

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

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

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

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

3.2.3.6. Advertiser structure

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

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

We believe advertiser diversification could mitigate some of the risks we face with respect to consolidation within the travel content marketplace, as consolidation could over time reduce the number of offers we have available on our platform for each

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

3.2.4. Results of Operations

3.2.4.1. Revenue

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

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

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

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

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

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

	Year ended December 31,		% Change
(in millions)	**2017**	**2018**	**2018 vs 2017**
Americas	€ 391.7	€ 316.0	(19.3)%
Developed Europe	425.0	378.9	(10.8)%
Rest of World	203.6	204.9	0.6 %
Total	€ 1,020.3	€ 899.8	(11.8)%

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

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

Referral Revenue for the Rest of World in the year ended December 31, 2018 slightly increased by €1.3 million, or 0.6%, compared to the year ended December 31, 2017. Referral Revenue in RoW increased slightly compared to the same period in 2017 as the positive effects from increased Qualified Referrals in the first half of 2018 and slightly improved traffic quality

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

3.2.4.2. Cost of revenue, including related party

Our cost of revenue consists primarily of our data center costs, personnel-related expenses and share-based compensation for our data center operations staff and our customer service team. Cost of revenue, including from related party, was € 6.0 million and 5.5 million for the years ended December 31, 2017 and 2018, respectively.

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

3.2.4.3. Selling and marketing

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

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

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

	Year ended December 31,		% Change
(in millions)	**2017**	**2018**	**2018 vs 2017**
Advertising expense	€ 884.7	€ 732.5	(17.2)%
% of total revenue	85.4%	80.1%	
Other selling and marketing	58.7	70.6	20.3 %
% of total revenue	5.7%	7.7%	
Share-based compensation	5.2	3.0	(42.3)%
% of total revenue	0.5%	0.3%	
Total selling and marketing expense	€ 948.6	€ 806.0	(15.0)%
% of total revenue	91.6%	88.1%	

Selling and marketing expenses for the year ended December 31, 2018 decreased by € 142.6 million , or 15.0% compared to the year ended December 31, 2017, primarily due to the reductions in Advertising Spend we made starting in the second quarter of 2018. We implemented reductions in Advertising Spend across all segments, and they were reflected in reduced brand marketing expenditure and increased return on investment targets for our performance marketing campaigns. These measures resulted in a decline of €152.2 million or 17.2% in Advertising Spend for the year ended December 31, 2018 compared to the year ended December 31, 2017. In Americas and RoW, Advertising Spend development benefited from favorable movements in foreign exchange rates notably in the first half of 2018, reflecting the relative weakening of the U.S. dollar and of certain currencies in the Asian Pacific region to the euro as a smaller part of the Advertising Spend in these regions was invoiced in local currencies.

Other selling and marketing expenses for the year ended December 31, 2018 increased by €11.9 million , or 20.3% , compared to the year ended December 31, 2017, primarily driven by increases in production costs for TV advertisements and the development of new creative concepts. Personnel-related costs for the year ended December 31, 2018 increased by €1.3 million, or 4.1%, mainly driven by an increase in social security expense resulting from an audit assessment by the German Social Security authorities in 2018 of €0.9 million, predominantly relating to prior periods. As our headcount was higher in the first two quarters of 2018 compared to the same period in 2017, compensation expense and related social security increased by €0.7 million compared to 2017, which was slightly offset by lower employee benefits by €0.9 million in the year ended December 31, 2018. We made severance payments of €0.6 million in the year ended December 31, 2018 as our headcount declined from 606 employees as of December 31, 2017 to 439 employees as of December 31, 2018, reflecting the change in our marketing strategy. Professional fees and other expenses for the year ended December 31, 2018 remained at the same level as in the year ended December 31, 2017, as the increase in our office and depreciation expense of €1.3 million was partly offset by the effect of the deconsolidation of myhotelshop. The increase in office and depreciation expense mainly resulted from the move to our

new corporate headquarters in June 2018, which commenced depreciation of the building we carry on our balance sheet. Additionally, the related land rent expense was allocated across all operating expense categories since move-in.

Share-based compensation decreased by €2.2 million or 42.3%, in the year ended December 31, 2018 compared to the year ended December 31, 2017, mainly driven by award forfeitures partially offset by new grants during the year.

3.2.4.4. Technology and content

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

	Year Ended December 31,		% Change
(in millions)	**2017**	**2018**	**2018 vs 2017**
Personnel	€ 30.5	€ 36.3	19.0%
Share-based compensation, net of capitalized internal use software and website development costs	4.7	6.2	31.9%
Depreciation of technology assets	3.8	5.1	34.2%
Professional fees and other	14.4	20.7	43.8%
Total technology and content	€ 53.4	€ 68.3	27.9%
% of total revenue	5.2%	7.5%	

Technology and content expense for the year ended December 31, 2018 increased by €14.9 million, or 27.9%, compared to the year ended December 31, 2017, mainly due to increased professional fees and other expenses, depreciation, and personnel-related costs. Professional fees and other expenses increased by €6.3 million, or 43.8% , mostly due to a €3.1 million increase in our costs for third-party IT service providers, as we continued to invest in our platform to improve our users' experience. Depreciation for the year ended December 31, 2018 increased by €1.3 million, or 34.2%, respectively, compared to the year ended December 31, 2017, mainly due to the move to our new corporate headquarters in June 2018. Additionally, Technology and content headcount was proportionally larger in 2018 than in 2017, leading to higher depreciation and office expense cost allocation. The increase in technology and content expense for the year ended December 31, 2018 was also driven by increases in personnel-related costs by €5.8 million, or 19.0%. Even though our headcount reduced from 652 employees as of December 31, 2017 to 620 employees as of December 31, 2018, our compensation expense and related social security amounts increased by €5.9 million for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first half of 2018 compared to the same period in 2017. Our personnel-related costs increased as well due to an audit assessment by the German Social Security authorities of €0.9 million in 2018, predominantly relating to prior periods. These increases were slightly offset by a higher capitalization of our developers' salaries, as well as lower employee benefits in the year ended December 31, 2018, compared to the year ended December 31, 2017. Our share-based compensation increased by €1.5 million for the year ended December 31, 2018 driven by new grants that were partly offset by forfeitures during the year.

3.2.4.5. General and administrative

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

	Year ended December 31,		% Change
(in millions)	**2017**	**2018**	**2018 vs 2017**
Personnel	€ 13.5	€ 17.3	28.1 %
Share-based compensation	11.8	13.9	17.8 %
Related party shared services allocation	0.1	0.0	(100.0)%
Professional fees and other	22.5	24.9	10.7 %
Total general and administrative	€ 47.9	€ 56.1	17.1 %
% of total revenue	4.6%	6.1%	

General and administrative expense for the year ended December 31, 2018 increased by €8.2 million, or 17.1%, compared to the year ended December 31, 2017, primarily due to an increase in personnel-related costs of €3.8 million, or 28.1%, and an increase in share-based compensation of €2.1 million, or 17.8%, which was mainly driven by new grants that were partly offset by forfeitures during the year. Personnel-related costs increased mostly due to an increase in compensation expense and related

social security amounts of €3.1 million for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first three quarters of 2018 compared to the same periods in 2017. Our headcount decreased from 291 employees as of December 31, 2017 to 254 employees as of December 31, 2018, reflecting our effort to streamline our internal support functions. Also, our personnel-related costs increased due to an audit assessment by the German Social Security authorities of €0.3 million, predominantly relating to prior periods. Professional fees and other expenses for the year ended December 31, 2018 increased by €2.4 million, or 10.7%, compared to the year ended December 31, 2017, primarily due to a decrease in losses on receivables by €1.6 million resulting mostly from an adjustment in 2018 to losses recorded in prior periods, that were offset by the €1.0 million impairment of an internal-use software in the second quarter of 2018 and an increase in our depreciation expense of €0.6 million. Our legal and financial consulting expenses decreased by €0.9 million in the year ended December 31, 2018 compared to the same period in 2017, which was offset by an increase in our audit expense.

3.2.4.6. Operating loss

Our operating loss was €20.4 million for the year ended December 31, 2018 compared to an operating loss of €17.9 million for the year ended December 31, 2017. This was mainly driven by higher Technology and content costs and an increase in General and administrative expenses. These increases were partly offset by the optimization and recalibration of Advertising Spend since the second quarter of 2018 that led to a significant reduction of Selling and marketing expenses.

3.2.4.7. Expense (benefit) for income taxes

Our effective tax rate was (8.9)% in 2018 and 18.1 % in 2017. This is mainly due to non-deductible share-based compensation. Other differences relate to one-off items during the year. In 2018, €0.2 million and in 2017 €3.2 million is related to the recognition of previously unrecognized net operating losses. In 2017, €3.2 million is related to the recognition of previously unrecognized net operating losses.

3.2.5 Seasonality

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

3.2.6. Liquidity and Capital Resources

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

For the year ended December 31, 2018, cash and cash equivalent decreased by €28.3 million to €161.9 million. The decrease was mainly driven by a negative cash flow from investing activities notably due to an increase in capital expenditures, and a negative cash flow from operating activities mainly resulting from accounts receivables increasing more than accounts payables as discussed in more detail below.

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 and we do not expect to take any additional measures in terms of financing.

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

	Year Ended December 31,	
(in millions)	2017	2018
Cash flows provided by/(used in) operating activities	€ (10.3)	€ (4.4)
Cash flows used in investing activities	(18.3)	(23.8)
Cash flows provided by/(used in) financing activities	(7.3)	(0.1)

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

For the year ended December 31, 2018, net cash used in operating activities decreased by €5.9 million to €4.4 million. In the year ended December 31, 2018 net cash used in operating activities was mainly driven by changes in operating assets and liabilities, offset by positive effects from net income excluding non-cash expenses. Changes in operating assets and liabilities resulted in a decrease in cash and cash equivalents of €14.1 million primarily due to increased accounts receivable and declining accounts payable.

3.2.6.2 Cash Flows Used in Investing Activities

For the year ended December 31, 2018, cash used in investing activities increased by €5.5 million to €23.8 million , primarily due to increased capital expenditures including internal-use software and website development.

3.2.6.3 Cash Flows Provided by/(Used in) Financing Activities

For the year ended December 31, 2018, cash used in financing activities decreased by €7.2 million to €0.1 million of cash used. The negative cash flow from financing activities in 2017 was primarily due to payments of IPO costs of €4.0 million and tax payments for shares withheld of €3.1 million.

3.2.7. Research and Development

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

3.2.8. Employees

After a decrease in our headcount in 2018, we do not plan to increase our headcount materially during the year ending on December 31, 2019.

3.2.9. Investments

In 2019, we plan to continue to make investments, for example, in self developed software and our data center and servers.

4. Risk Management and Risk Factors

4.1. Risk management, risk appetite and control systems

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

Our success as a business depends on our ability to identify opportunities while assessing and maintaining an appropriate risk appetite. Our risk management considers a variety of risks, including those related to our industry and business, those related to our ongoing relationship with our shareholders; those related to our intellectual property and those related to the ownership of our Class A shares and 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 "*3.2.3. Recent trends in our business*" and "*3.2.6. Liquidity and Capital Resources*" as well as Note 7 Financial risk management.

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

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

4.1.1. Controls and procedures

4.1.1.1. Disclosure controls and procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2018, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives.

4.1.1.2. Management's report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective control over financial reporting described in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee.

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

a. this report provides sufficient insight into failings in the effectiveness of the Company's risk management and control systems (if any — none are identified in this report);

b. the Company's risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain material inaccuracies;

c. based on the Company's state of affairs as at the date of this report and the considerations as described in the penultimate paragraph of section 3.2.6 of this board report, it is justified that the Company's financial reporting is prepared on a going concern basis; and

d. this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for a period of twelve months after the date of this report.

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all cases of error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

4.2. Risk factors

Our business faces significant risks. You should carefully consider all of the information set forth in this board report and in our filings with the United States Securities and Exchange Commission, or the SEC, including the information set forth in our annual report on Form 20-F, filed with the SEC on March 6, 2019, and the following risk factors which we face and that are faced by our industry. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This board report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this report and our SEC filings. See "1.2 Special Note Regarding Forward-Looking Statements" above.

4.2.1. Summary of key risk factors

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

4.2.1.1. Summary of risks related to our industry and business

- **We may not be able to grow our revenue in future periods, or at rates deemed sufficient by the market without reducing our profits or incurring losses.**
- **We derive a large portion of our revenue from a relatively small number of advertisers. A reduction in spending or any change in their bidding strategy by one or more of these advertisers could harm our business and negatively affect our financial condition and results of operations.**
- **We are subject to a number of factors that contribute to significant period-to-period volatility in our financial condition and results of operations. These factors have impacted and may continue to negatively impact our ability to meet the financial guidance that we communicate to the market.**
- **We are dependent on general economic conditions, and declines in travel or discretionary spending generally could reduce the demand for our services.**
- **Our ability to maintain and increase brand awareness in order to improve our financial performance and return to revenue growth is dependent on the effectiveness of our Advertising Spend. Increased competition, or inadequate or ineffective innovation in and execution of our advertising could harm our business and negatively affect our financial condition and results of operations.**
- **We are currently taking steps to increase advertiser diversity on our marketplace. If these measures are unsuccessful and we are unable to integrate additional inventory to our platform, or to successfully monetize that inventory, our financial performance could be materially adversely affected.**
- **Increasing competition and consolidation in our industry could result in a decrease in the amount and types**

of hotel and other accommodation information we display, the value of our services to users and a loss of users, which would adversely affect our business, results of operations, financial condition and prospects.

- **We have chosen to focus exclusively on providing search services for hotels and other types of accommodation. If users expect to be able to book other services when they book accommodation, they may choose to utilize the websites of our competitors rather than ours, which would negatively impact our financial condition and results of operations.**
- **If we do not continue to innovate and provide tools and services that are useful to users and advertisers, we may not remain competitive, and our revenue and results of operations could suffer.**
- **One of our product features depends, in part, on our relationship with third parties to provide us with consumer reviews.**
- **The measures we are implementing that are designed to maximize the lifetime value of our users may not generate the long-term financial benefits that we anticipate.**
- **We rely on assumptions, estimates and data to make decisions about our business, and any inaccuracies in, or misinterpretation of, such information could negatively impact our business.**
- **We rely on search engines, 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.**
- **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.**
- **Increasing enforcement of international trade and anti-corruption regulations could affect our ability to remain in compliance with such regulations and could have a materially adverse effect on our business, results of operations, financial condition and prospects.**
- **Litigation could distract management, increase our expenses or subject us to material monetary damages and other remedies.**
- **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.**
- **In the past, we identified a material weakness in our internal control over financial reporting. If the measures we have implemented, including internal controls, fail to be effective in the future, any such failure could result in material misstatements of our financial statements, cause investors to lose confidence in our reported financial and other public information, harm our business and adversely impact the trading price of our ADSs.**
- **We may experience difficulties in implementing new business and financial systems.**
- **We rely on information technology to operate our business and maintain our competitiveness, and any failure to invest in and adapt to technological developments and industry trends could harm our business.**
- **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 is subject to reputational risks and impairment.**
- **Many events beyond our control may adversely affect the travel industry.**
- **Our global operations involve additional risks, and our exposure to these risks will increase as our business continues to expand.**
- **Our global operations expose us to risks associated with currency fluctuations, which may adversely affect our business.**
- **We are subject to risks associated with a corporate culture that promotes entrepreneurialism among our employees, decentralized decision making and continuous learning.**
- **We rely on the performance of highly skilled personnel, including senior management and our technology professionals, and if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.**
- **The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business.**
- **We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.**

- **Integration of acquired assets and businesses could result in operating difficulties and other harmful consequences.**
- **We are subject to counterparty default risks.**

4.2.1.2. Summary of risks related to our ongoing relationship with our shareholders

- **Expedia Group controls our company and has the ability to control the direction of our business.**
- **The Founders have contractual rights to exert control over certain aspects of our business.**
- **Expedia Group's interests may conflict with our interests, the interests of the Founders and the interests of our shareholders, and conflicts of interest among Expedia Group, the Founders and us could be resolved in a manner unfavorable to us and our shareholders.**

4.2.1.3. Summary of risks related to our intellectual property

- **We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.**
- **Claims by third parties that we infringe on their intellectual property rights could result in significant costs and have a material adverse effect on business, results of operations, financial condition and prospects.**
- **Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.**
- **Our use of "open source" software could adversely affect our ability to offer our services and subject us to possible litigation.**

4.2.1.4. Summary of risks related to our corporate structure

- **The rights of shareholders in companies subject to Dutch corporate law differ in material respects from the rights of shareholders of corporations incorporated in the United States.**
- **We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code (DCGC). This may affect your rights as a shareholder.**
- **Our dual-class share structure with different voting rights, and certain provisions in the Amended and Restated Shareholders' Agreement, limit your ability as a holder of Class A shares to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A shares may view as beneficial.**
- **German and European insolvency laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than they would have under U.S. insolvency laws.**
- **Dutch law and our articles of association may contain provisions that may discourage a takeover attempt.**
- **U.S. investors may have difficulty enforcing civil liabilities against us or members of our management board and supervisory board.**
- **We rely on the foreign private issuer and controlled company exemptions from certain corporate governance requirements under Nasdaq rules.**

4.2.1.5. Summary of risks related to taxation

- **We may become taxable in a jurisdiction other than Germany, and this may increase the aggregate tax burden on us.**
- **Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.**
- **Amendments to existing tax laws, rules or regulations or enactment of new unfavorable tax laws, rules or regulations could have an adverse effect on our business and financial performance.**
- **We may be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequences to U.S. Holders of the ADSs.**
- **Certain of our ADS holders may be unable to claim tax credits to reduce German withholding tax applicable to the payment of dividends.**
- **If we pay dividends, we may need to withhold tax on such dividends payable to holders of our ADSs in both Germany and the Netherlands.**

4.2.2. Risks related to our industry and business

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

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

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

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

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

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

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

Even if we improve our product and deliver value to our advertisers, the fact that a significant portion of our revenue is generated from brands affiliated with Booking Holdings and Expedia Group can permit them, depending on marketplace dynamics, to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We operate in an increasingly competitive travel industry. Many of our current and potential competitors, including hotels themselves (both hotel chains and independent hotels), and metasearch engines, such as Kayak, TripAdvisor and Google Hotel Ads, locally focused metasearch engines, such as Qunar, OTAs, such as Booking.com, Ctrip and Brand Expedia, alternative accommodation websites, such as Airbnb and HomeAway, and other hotel websites, have been in existence longer, may have larger user bases, may have a wider ranges of products and services and may have greater brand recognition and customer loyalty in certain markets and/or significantly greater financial, marketing, personnel, technical and other resources than we

do. Some of these competitors may be able to offer products and services on more favorable terms than we can. Metasearch websites, particularly Google Hotel Ads, are also expanding globally, are becoming increasingly competitive and are, in some cases, adopting strategies and developing technologies and websites that are very similar to ours. Competition could result in higher traffic acquisition costs, lower CPC levels and reduced margins on our advertising services, loss of market share, reduced user traffic to our websites and reduced advertising by hotel companies and other accommodation advertisers on our websites. If fewer advertisers choose to advertise on our website, we will have less information available to display, which makes our services less valuable to users.

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

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

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

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

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

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

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

we may be unable to attract additional users and advertisers or retain our current users and advertisers, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulators continue to increase their focus on the consumer facing business practices of companies active in the Internet search sector, in particular with respect to the providers of online travel search and booking services. A number of regulators in various countries have been investigating marketing and selling practices in the sector generally as well as of individual companies. For example, the U.K. Competition & Markets Authority, or CMA, announced the launch of a consumer law investigation into online hotel booking sites in the United Kingdom in October 2017. On July 26, 2018, the CMA informed us of its decision to open an investigation into certain of our display practices in the United Kingdom that the CMA questioned under U.K. consumer law. On January 31, 2019, we submitted voluntary undertakings to the CMA to make changes to certain disclosure and other display practices in the United Kingdom. The undertakings provide for an implementation period of six months and resolved the CMA's investigation into our practices in the United Kingdom without any admission or finding that our practices violated U.K. law. In addition, on April 11, 2019, the German Federal Cartel Office (*Bundeskartellamt*) published its final report relating to its sector inquiry focused on the consumer facing practices of online price comparison websites active in the travel, insurance, financial services, telecommunications and energy sectors in Germany, covering topics such as rankings, financing, corporate links, reviews, availability and relevant market coverage. While the German Federal Cartel Office's report acknowledged the importance to consumers of comparison platforms, it also identified certain areas in which the disclosure and display practices of market participants generally could be improved. Should changes in our business practices or those prevalent in our sector brought about by this regulatory attention or by the Australian litigation referenced below reduce the attractiveness, competitiveness or functionality of our platform and the services we offer, or should our reputation or that of our sector suffer, or should we have to pay substantial amounts in respect or as a result of any such regulatory action or proceeding, our business, results of operations, financial condition and prospects could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies, web beacons and similar technology for online advertising, which is fundamental to our business model. The current European

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

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

Our management is responsible for establishing and maintaining internal controls over financial reporting, disclosure controls, and compliance with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC thereunder. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. Satisfying these requirements requires us to dedicate a significant amount of time and resources, including for the development, implementation, evaluation and testing of our internal controls over financial reporting. Although no material weaknesses were identified in connection with the attestation of the effectiveness of our internal control over financial reporting as of December 31, 2018, our management cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or fraud. In addition, the internal controls that we have implemented could fail to be effective in the future. This failure could result in material misstatements in our financial statements, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions. This could in turn could harm our business and the market value of our ADSs. In addition, we may be required to incur costs in improving our internal controls system and the hiring of additional personnel.

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

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

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

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

Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our service in response to competitive service offerings. The emergence of alternative platforms and the emergence of niche competitors who may be able to optimize services or strategies such platforms have required, and will continue to require, new and costly investments in technology. We may not be successful, or we may be less successful than our current or new competitors, in developing technologies that operate effectively across multiple devices and platforms and that are appealing to users, either of which would negatively impact our business and financial performance. New developments in other areas could also make it easier for competitors to

enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Failure to invest in and adapt to technological developments and industry trends may have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

Our brand is subject to reputational risks and impairment.

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

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

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

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

We operate in a number of jurisdictions and intend to continue to expand our global presence, including in emerging markets. As of December 31, 2018, we derived 35% of our total Referral Revenue from our operations in the Americas, 42% of our revenue from our operations in Developed Europe and 23% of our revenue from our operations in the Rest of World. See section *"3.2. Management's discussion and analysis of financial condition and results of operations"* for a further description of our geographical operating segments. We face complex, dynamic and varied risk landscapes in the jurisdictions in which we operate. We must tailor our services and business models to the unique circumstances of each of the many countries and markets in which we operate. This can be complex, difficult, costly and divert management and personnel resources. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with global operations in general. Laws and business practices that favor local competitors or prohibit or limit foreign ownership of certain businesses or our failure to adapt our practices, systems, processes and business models effectively to the user and supplier preferences in each country in which we operate, could slow our growth. Certain markets in which we operate are characterized by lower margins in our business and related businesses than is the case in more mature markets, which could have a negative impact on our overall margins as our revenue from these markets grows over time.

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

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

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

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

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

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

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

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

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

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

The small size of our leadership team increases our exposure to the risk that we would lose the services of one or more of the remaining members of the team. Should one or more of our senior managers leave our company, we might experience dislocations while a replacement or replacements are located and they are integrated into our company. Any phase of transition to new senior managers may be accompanied by slower or inconsistent decision-making, or to the diversion of management attention to matters relating to executive recruitment and integration. This could have a material adverse effect on our business, results of operations, financial condition and prospects or could damage our reputation.

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

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

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

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

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-

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

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

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

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

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

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

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

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

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

We are subject to counterparty default risks.

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

4.2.3. Risks related to our ongoing relationship with our shareholders

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

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

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

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

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

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

Various conflicts of interest among us, the Founders and Expedia Group could arise. Ownership interests of directors or officers of Expedia Group in our shares, and ownership interests of members of our management board and supervisory board in the stock of Expedia Group, or a person's service as either a director or officer of both companies, could create or appear to create

potential conflicts of interest, including when those directors and officers are faced with decisions relating to our company. In each of the years ended December 31, 2016, 2017 and 2018, Expedia Group, and brands affiliated with Expedia Group, consistently accounted for 36% of our revenues.

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

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

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

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

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party. While we are controlled by Expedia Group, we may not have the leverage to negotiate amendments to these agreements, if required, on terms as favorable to us as those we would negotiate with an unaffiliated third party.

4.2.4. Risks related to our intellectual property

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

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

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

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

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

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

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

A substantial amount of our processes and technologies is protected by trade secrecy laws. In order to protect these technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secrecy rights against such parties. To the extent that our employees, contractors or other third parties with which we do business may use intellectual property owned by others in their work for us without our authorization, disputes may arise as to the rights in related or resulting know-how and inventions. Laws regarding trade secrecy rights in certain markets in which we operate may afford little or no protection to our trade secrets. The loss of trade secret protection could make it easier for third parties to compete with our services by effectively replicating our services. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

4.2.5. Risks related to our corporate structure

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

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

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

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

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

See section *"5. Corporate governance."* This may affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC.

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

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

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

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

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

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

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

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

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

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

amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Code of Civil Procedure.

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

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

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

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

4.2.6. Risks related to taxation

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

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

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

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

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

Significant degrees of judgment and estimation are required in determining our worldwide tax liabilities. In the ordinary course of our business, there are transactions and calculations, including intercompany transactions and cross-jurisdictional transfer

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

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

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

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

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

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

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

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

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

We do not anticipate paying dividends on our ADSs for the foreseeable future. As a Dutch-incorporated but German tax resident company, however, if we pay dividends, such dividends will be subject to German (and potentially Dutch) withholding tax. Currently, the applicable German withholding tax rate is 26.375% of the gross dividend. This German tax can be reduced to

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

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

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

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

5. Corporate Governance

5.1. Dutch Corporate Governance Code

For the fiscal year ended 31 December 2018, the Dutch Corporate Governance Code 2016 ("DCGC") applies to trivago. The text of the DCGC is publicly available on the website of the Monitoring Committee Corporate Governance Code:

http://www.mccg.nl.

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

The Company's most substantial deviations from the best practice provisions of the DCGC are summarized below. We may deviate from additional best practice provisions in the future.

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

i. for each ten percent- shareholder or group of affiliated shareholders, there is at most one supervisory board member who can be considered to be a shareholder representative;
ii. there is at most one non-independent supervisory board member who cannot be considered as independent due to circumstances other than being a shareholder representative; and
iii. the total number of non-independent supervisory board members should account for less than half of the total number of supervisory board members.

A majority of our supervisory board members is independent. See section "*5.6 Supervisory Board*". It is our view that given the nature of our business and the practice in our industry and considering our shareholder structure, it is justified that only four supervisory board members will be independent. We may need to deviate from the DCGC's independence definition for supervisory board members either because such provisions conflict with or are inconsistent with the corporate governance rules of Nasdaq and U.S. securities laws that apply to us, or because such provisions do not reflect best practices of global companies listed on Nasdaq. We may need to further deviate from the DCGC's independence definition for supervisory board members when looking for the most suitable candidates. For example, a future supervisory board candidate may have particular knowledge of, or experience in our industry, but may not meet the definition of independence in the DCGC. As such background is very important to the efficacy of our supervisory board, our supervisory board may decide to nominate candidates for appointment who do not fully comply with the criteria as listed under best practice provision 2.1.8 of the DCGC.

- The DCGC recommends that our supervisory board establish a selection and appointment committee. Because we will be a "controlled company" within the meaning of the Nasdaq corporate governance standards, we do not believe that a selection and appointment committee will be beneficial for our governance structure. We will not establish a selection and appointment committee.

- The DCGC further recommends that the compensation committee is not chaired by the chairman of the supervisory board. The chairman of our supervisory board is also the chairman of our compensation committee. Given the chairman's expertise and vision, we consider him to be the best person for the job.

- Consistent with corporate practice for non-executive members of a board in the U.S., the terms of office of our supervisory board members run and end simultaneously. Our supervisory board continuously monitors succession of its members as well as the managing board members. In light of this, we have not drawn up a retirement schedule.

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

- Under our articles of association (the "**Articles**"), members of the management board and the supervisory board shall be appointed on the basis of a binding nomination prepared by the supervisory board. This means that the nominee shall be appointed to the management board or supervisory board, as the case may be, unless the general meeting of shareholders (the "**General Meeting**") strips the binding nature of the nomination (in which case a new nomination shall be prepared for a subsequent General Meeting). Our articles of association will provide that the General Meeting can only pass such resolution by a two thirds majority representing at least half of the issued share capital. However, the DCGC recommends that the general meeting can pass such resolution by simple majority, representing no more than one-third of the issued share capital.

- Under the Articles, members of the management board and the supervisory board can only be dismissed by the General

Meeting by simple majority, provided that the supervisory board proposes the dismissal. In other cases, the general meeting can only pass such resolution by a two-thirds majority representing at least half of the issued share capital. Similar to what has been described above, the DCGC recommends that the General Meeting can pass a resolution to dismiss a member of the management board or supervisory board by simple majority, representing no more than one-third of the issued share capital.

- The DCGC recommends against providing equity awards as part of the compensation of a supervisory board member. However, the company may wish to deviate from this recommendation and grant equity awards to its supervisory board members, consistent with corporate practice for non-executive members of a board in the U.S.

- The DCGC further recommends that the management board appoints the senior internal auditor and the company secretary, subject to approval by the supervisory board. We have simplified this process as our CFO appoints the senior internal auditor and the company secretary, and allow the audit committee to express its views regarding the proposes senior internal auditor.

- The DCGC recommends having diversity policy for the composition of the management board and supervisory board. We acknowledge the importance of diversity in the broadest sense and consider aspects of diversity relevant to our company. Although the management and supervisory boards have not set specific targets with respect to diversity, the supervisory board believes that it is important for its members to represent diverse viewpoints and further that the personal backgrounds and qualifications of the managing and supervisory directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities. See section "*5.5 Management Board*."

- The DCGC recommends that the compensation report includes, among other things, statements on (i) scenario analysis's being performed, (ii) the pay ratios within the company and (iii) the relationship between the variable part of a director's compensation and the contribution of such compensation to long-term value creation. Although we have been working, also involving a specialized consultant, on a variety of aspects around our compensation program and related disclosure including some of the above, we do not yet fully comply with the relevant provisions from the DCGC because of the relatively short period of time trivago has been a listed company.

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

5.2. Other Codes of Conduct or Corporate Governance Practices

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

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

5.3 Risk management and control systems

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

5.4. General meeting of shareholders

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

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

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

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

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

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

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

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

5.5. Management Board

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

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

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

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

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

5.5.1. Changes to our management board in 2018

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

The management board met 32 times in 2018.

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 three 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.

5.6. Supervisory Board

Name	Age	Gender	Nationality	First appointment	Term of office	Attendance rate SB meetings
Robert Dzielak	48	M	USA	June 8, 2018	2021 AGM	100%
Peter M. Kern	51	M	USA	December 16, 2016	2019 AGM	80%
Hiren Mankodi*	45	M	USA	*	*	100%
Frédéric Mazzella	43	M	French	December 8, 2016	2019 AGM	100%
Mark D. Okerstrom (chairman)	46	M	USA	December 16, 2016	2019 AGM	100%
Niklas Östberg	39	M	Swedish	December 8, 2016	2019 AGM	60%
David Schneider	36	M	German	December 8, 2016	2019 AGM	60%

**On July 23, 2018, Hiren Mankodi was designated as temporary member of our supervisory board, pending his appointment by our general meeting of shareholders in June 2019. For more information, see "5.6.1. Changes to our supervisory board in 2018" below.*

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

Robert J. Dzielak has served as Expedia Group's Chief Legal Officer and Secretary since March 2018, previously serving as its Executive Vice President, General Counsel and Secretary since April 2012. Mr. Dzielak had previously served as Senior Vice President and acting General Counsel since October 2011. Since joining the Company as Assistant General Counsel in April 2006 and through his service as Vice President and Associate General Counsel between February 2007 and October 2011, Mr. Dzielak held primary responsibility for the worldwide litigation portfolio of the Company and its brands. Prior to joining

Expedia Group, Mr. Dzielak was a partner at the law firm of Preston, Gates and Ellis, LLP (now K&L Gates LLP), where his practice focused on commercial and intellectual property litigation. Mr. Dzielak received his J.D. from The John Marshall Law School. Mr. Dzielak is currently a member of the supervisory board of trivago N.V.

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

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

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

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

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

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

5.6.1. Changes to our supervisory board in 2018

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

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

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

5.7. Activities of and evaluation by the Supervisory Board

Our supervisory board is responsible for supervising the conduct of and providing advice to our management board and for supervising our business generally, subject to our articles of association, the Amended and Restated Shareholders' Agreement and the internal rules of our supervisory board (which we refer to as supervisory board Rules). Our supervisory board also has the authority to, at its own initiative, provide our management board with advice and may request any information from our management board that it deems appropriate. In performing its duties, our supervisory board is required to take into account the interests of our business as a whole. Our supervisory board is comprised of six members and one temporary member, pending his appointment at our annual general meeting of shareholders in June 2019. Pursuant to the Amended and Restated Shareholders' Agreement, four supervisory board members were selected by Expedia Group (through ELPS) and three supervisory board members were selected by the Founders. Each supervisory board member was appointed for a term of three years. Our supervisory board members were appointed by the general meeting of shareholders upon the binding nomination by our supervisory board. Pursuant to the Amended and Restated Shareholders' Agreement, ELPS and the Founders have agreed that any new supervisory board member will be proposed for nomination by either ELPS or the Founders as applicable, depending on which supervisory board member resigns, is not reappointed to, or is removed from the supervisory board. ELPS and the Founders have agreed to consult one another on their respective proposals. A supervisory board member may, subject to compliance with certain Dutch statutory procedures, be removed with or without cause by a shareholder resolution passed by a majority of at least a two thirds of the votes cast by those present in person or by proxy at a meeting and who are entitled to vote, provided such majority represents more than half of the issued share capital, unless the proposal was made by the supervisory board in which case a simple majority of the votes cast is sufficient. Pursuant to the Amended and Restated Shareholders' Agreement, ELPS and the Founders have agreed that ELPS may designate the chairman of the supervisory board. The chairman will be entitled to cast a tie-breaking vote.

The supervisory board met five times in 2018 and discussed, among other topics, the Company's financial results and public disclosures, internal control over financial reporting/audit and the Company's strategy and business plan.

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

5.8. Committees

5.8.1. Introduction

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

As at December 31, 2018, the committees were composed as follows:

Name	Compensation committee (and attendance rate)	Audit committee (and attendance rate)
Hiren Mankodi*	N/A	X (66.7 % attendance)
Niklas Östberg	N/A	X (50 % attendance)
David Schneider	N/A	X (83.3 % attendance)
Mark Okerstrom*	X (100 % attendance)	N/A
Bob Dzielak	X (100 % attendance)	N/A

* Chairman

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

5.8.2. Audit Committee and Audit Committee Financial Expert

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

Mr. Alan Pickerill has observer status on our Audit Committee, and he is the Chief Financial Officer of Expedia Group, Inc., our indirect majority shareholder. He is relying on an exemption of the Nasdaq listing standards relating to Audit Committees of Rule 10A-3 promulgated under the Exchange Act.

The audit committee is responsible for:

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

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

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

5.8.3. Compensation Committee

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

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

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

6. Compensation Report

6.1. Compensation policy

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

- attract, retain and motivate management board members with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business;
- drive strong business performance, promote accountability, give management board members the incentive to achieve short and long-term performance targets with the objective of substantially increasing the Company's equity value;
- assure that the interests of the management board members are closely aligned to those of the Company, its business and its stakeholders; and
- ensure the overall market competitiveness of the compensation packages which may be granted to the management board members, while providing the supervisory board sufficient flexibility to tailor the Company's compensation practices on a case-by-case basis, depending on the market conditions from time to time.

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

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

6.1.1. Compensation principles

6.1.1.1. Senior management

The primary objective of our senior management's compensation program is to attract, motivate, reward and retain the managerial talent needed to achieve our business objectives. In doing so, we benchmark our management's compensation, both in terms of their base cash compensation, cash bonus and equity incentive award, against that of the management of similarly situated companies in the United States and Europe. In addition, compensation arrangements for our senior management have been designed to align a portion of their compensation with the achievement of our business objectives and strategy. Bonus payments for our senior management are determined with respect to a given year based on quantitative and qualitative goals set for our company, as well as on an individual basis. For the purpose of determining the bonus amounts, we measured our company's performance with reference to our 2018 revenue and EBITDA, as adjusted by share based compensation expense and considering the general situation of the economy and the online travel industry. Individual performance was measured with reference to the key contributions to our company, the rating the management board member received in the internal feedback/review process and the summary of comments in that process. Once the results of the year are known, bonus payments and any equity award compensation are determined at the discretion of our supervisory board and, with respect to senior management reporting to the CEO, considering recommendations made by the CEO.

6.1.1.2. Employees

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

Our remuneration policy is designed to attract and retain employees, and reward them for achieving our goals and objectives as a business, and working productively together based on the "core values" (see above "2.4.13. *Our employees and culture*")

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

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

6.1.1.3. Short-term remuneration policy

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

6.2. Compensation of managing directors

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

6.3. Compensation of supervisory directors

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

7. Related Party Disclosures

For information on related party transactions, see Note 11 - Related Party Disclosures in the Notes to the Company Financial Statements (section 10). Best practice provisions 2.7.3, 2.7.4 and 2.7.5, as applicable, of the DCGC, have been observed. No transactions of significance in which members of our management board had a conflict of interest were decided upon in 2018.

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

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

7.1.1. Agreements regarding the supervisory board

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

The Amended and Restated Shareholders' Agreement also sets forth agreements regarding the committees of the supervisory board and the rules of procedure.

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

7.1.2. Agreements regarding the management board

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

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

right to designate for binding nomination two management board members and the chief executive officer will have the right to designate all other management board members, subject to approval by the supervisory board.

7.1.3. Registration and other rights

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

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

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

7.1.4. Share transfer restrictions

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

7.1.5. Call and put rights

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

If the general meeting of shareholders resolves to remove a Founder as a management board member without reasonable cause or if the supervisory board revokes the title of chief executive officer from a Founder then serving as chief executive officer without either (i) reasonable cause or (ii) the consent of another Founder, and the Founder terminates his services as management board member within 30 days thereof, then, the Founder will have the right to sell, and ELPS will be obligated to buy, all, but not less than all, of such Founder's shares, at a price based on a volume-weighted average of the trading price of our Class A shares, unless a fact or circumstance exists which would be reasonably likely to result in the occurrence of any of the events in clauses (a) through (g) in the definition of reasonable cause set forth below. In such a case, no right to sell will be triggered by the removal of such management board member.

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

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

7.2. IPO Structuring Agreement

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

7.3. Contribution Agreement

On August 21/22, 2017, the Founders, ELPS, trivago GmbH, trivago N.V. and certain other Expedia Group parties entered into a contribution agreement with respect to potential tax liability arising out of the cross-border merger, which we refer to as the contribution agreement. Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of the cross-border merger. Under the rulings, the German tax authorities have taken the opinion that trivago GmbH is liable for an immaterial tax amount. Under the contribution agreement, ELPS undertook, subject to the occurrence of a final, non-appealable and unchangeable tax assessment notice issued to us, to make an informal immaterial capital contribution (informele kapitaalstorting) on the Class B shares in cash in the amount of any (a) German Corporate Income Tax (Körperschaftsteuer), (b) German solidarity surcharge (Solidaritätszuschlag) thereon, and (c) German Trade Tax (Gewerbesteuer) that would not be made in exchange for any shares issued by us. In accordance with the terms and conditions of the contribution agreement, we and ELPS acknowledged that this contribution would be treated as share premium (agio) attached to the Class B shares and that the amount of this contribution would be attributed to our share premium reserve (agioreserve) attached to the Class B shares. The parties to the contribution agreement agreed that this contribution by ELPS shall be treated as a tax neutral shareholder contribution (verdeckte Einlage) at the trivago N.V. level for corporate tax purposes to the greatest extent possible. If and to the extent that German tax authorities challenge the neutral treatment of the contribution amount at the trivago N.V. level for corporate tax purposes, ELPS will contribute to us, in addition to the contribution amount referenced above, such additional amount as is necessary to ensure that the net amount actually received by us (after taking into account the payment by us of corporate taxes imposed on the contribution amount and any additional amounts payable to us pursuant the requiring payment of such additional amounts) that equals the full amount that we would have received had no such corporate taxes been imposed on the contribution amount.

7.4. Credit facility Guarantee

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

7.5. Services Agreement

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

7.6. Services and Support Agreement

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

7.7. Commercial relationships

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

7.8. Shared services arrangements

Pursuant to certain informal shared services arrangements, we have recorded expenses incurred by Expedia Group on behalf of us as a non-cash charge and treated as a contribution from parent in equity. This shared services fee, which is comprised of allocations from Expedia Group for legal, tax, treasury, audit and corporate development costs and also includes an allocation of employee compensation within these functions in certain instances. These allocations were determined on a basis that we

and Expedia Group considered to be a reasonable, including number of factors such as headcount, estimated time spent, and operating expenses and is a reflection of the cost of services provided or the benefit received by us. It is not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity, and in the opinion of our management, the allocation method is reasonable. For the years ended December 31, 2016 and 2017, the shared service fee was €4.2 million and €0.1 million, respectively. No expenses have been allocated to us from Expedia Group since the year ended December 31, 2017.

7.9. Agreements with management board or supervisory board members

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

7.10. Indemnification agreements

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

8. Protective Measures

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

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

- Management board members and supervisory board members can be appointed only pursuant to a binding nomination prepared by the supervisory board. This means that the nominee shall be appointed to the management board or supervisory board, as the case may be, unless the General Meeting strips the binding nature of the nomination, which requires a resolution by a two thirds majority representing at least half of the issued share capital.

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

9. trivago N.V.
Consolidated Financial Statements
as of December 31, 2018

trivago N.V.

trivago N.V.
Consolidated Statement of Profit or Loss
for the period from January 1, 2018 to December 31, 2018

in kEUR	Notes	2018	2017
Revenue from contracts with customers	4.1	914,816	1,035,383
Cost of sales	4.2	5,468	6,008
Gross profit		**909,348**	**1,029,375**
Selling and distribution expenses	4.3	806,001	948,597
Technology and content	4.4	68,326	53,367
General and administrative expenses	4.5	56,087	47,884
Other operating expense (income), net		(682)	(2,599)
Operating profit (loss)		**(20,384)**	**(17,875)**
Finance income	4.8	—	—
Finance expense	4.8	66	44
Income/(Loss) from equity method investment		63	—
Profit before taxes		**(20,386)**	**(17,919)**
Income taxes expenses (income)	4.9	1,832	(3,241)
Loss for the year		**(22,218)**	**(14,678)**
Attributable to:			
Equity holders of the parent		(22,218)	(14,572)
Non-controlling interest		—	(106)
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	4.10	(0.06)	(0.05)
Diluted, profit for the year attributable to ordinary equity holders of the parent	4.10	(0.06)	(0.05)

trivago N.V.

Consolidated Statement of Other Comprehensive Loss

for the period from January 1, 2018 to December 31, 2018

in kEUR	Notes	2018	2017
Loss of the year		**(22,218)**	**(14,678)**
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	6.7	91	(201)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		**91**	**(201)**
Other comprehensive income (loss) for the year		**91**	**(201)**
Total comprehensive loss for the year		**(22,127)**	**(14,879)**
Attributable to:			
Equity holders of the parent		(22,127)	(14,731)
Non-controlling interest		—	(148)

trivago N.V.
Consolidated Statement of Financial Position
as at December 31, 2018

		Year ended December 31,	
in kEUR	Notes	2018	2017
Property, plant and equipment	5.2	25,968	15,447
Goodwill	5.1	3,434	3,360
Intangible assets	5.1	8,761	7,120
Other assets	5.5	6,107	6,955
Deferred tax assets	4.9	5,326	4,329
Non-current assets		**49,596**	**37,211**
Trade receivables	5.3	53,270	40,766
Trade receivables, related parties	5.4	39,655	39,063
Other assets	5.5	10,290	20,759
Income tax receivables	5.5	281	2,092
Cash and cash equivalents	5.6	161,871	190,201
Current assets		**265,366**	**292,881**
Assets		**314,963**	**330,092**
Common stock A shares	5.7	2,554	1,855
Common stock B shares	5.7	185,213	191,880
Other capital reserves	5.7	80,935	51,590
Contribution from parent	5.7	122,307	122,307
Retained Earnings	5.7	(138,348)	(116,154)
Other comprehensive income	5.7	(46)	(137)
Total equity attributable to shareholders of trivago N.V.		**252,615**	**251,340**
Non-controlling interests	5.7	—	—
Total equity		**252,615**	**251,340**
Other liabilities	5.9	3,711	1,152
Non-current liabilities		**3,711**	**1,152**
Trade payables	5.9	32,731	50,421
Income tax liabilities	5.9	1,221	3,428
Other liabilities	5.9	24,685	23,751
Current liabilities		**58,637**	**77,600**
Equity and liabilities		**314,963**	**330,092**

trivago N.V.

Consolidated Statement of Changes of Equity

for the period from January 1, 2018 to December 31, 2018

in kEUR	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
December 31, 2016	**1,802**	**125,405**	**27,311**	**122,200**	**(101,581)**	**21**	**175,158**	**72,129**	**247,287**
Net income (loss)	—	—	—	—	(14,573)	—	(14,573)	4	(14,569)
Other comprehensive income (net of tax)	—	—	—	—	—	(158)	(158)	(43)	(201)
Adjustment to the fair value of redeemable non-controlling interests	—	—	(114)	—	—	—	(114)	(35)	(149)
Transaction with parent	—	—	—	107	—	—	107	—	107
Share-based compensation expense	—	—	19,273	—	—	—	19,273	2,576	21,849
Options exercised	53	—	(2,071)	—	—	—	(2,018)	(966)	(2,984)
Merger of trivago GmbH into and with trivago N.V.	—	—	73,665	—	—	—	73,665	(73.665)	—
Issued Capital, GmbH merger	—	66,475	(66,475)	—	—	—	—	—	—
December 31, 2017 (as previously reported)	**1,855**	**191,880**	**51,590**	**122,307**	**(116,154)**	**(137)**	**251,340**	**—**	**251,340**
Effect of adoption of new accounting standards (note 1.5)	—	—	—	—	25	—	25	—	25
January 1, 2018 (restated)	**1,855**	**191,880**	**51,590**	**122,307**	**(116,129)**	**(137)**	**251,365**	**—**	**251,365**
Net income (loss)	—	—	—	—	(22,218)	—	(22,218)	—	(22,218)
Other comprehensive income (net of tax)	—	—	—	—	—	91	91	—	91
Share-based compensation expense	—	—	23,216	—	—	—	23,216	—	23,216
Conversion of Class B shares	667	(6,667)	6,000	—	—	—	—	—	—
Issued capital, options exercised	32	—	129	—	—	—	161	—	161
December 31, 2018	**2,554**	**185,213**	**80,935**	**122,307**	**(138,347)**	**(46)**	**252,615**	**—**	**252,615**

trivago N.V.
Consolidated Statement of Cash Flows
for the period from January 1, 2018 to December 31, 2018

in kEUR	2018	2017
Cash flow from operating activities		
Net loss	(22,218)	(14,678)
Adjustments to reconcile net loss to net cash flows:		
Finance expense	66	44
Deferred income taxes	(1,009)	(3,328)
Foreign exchange (gain) loss	587	(217)
Bad debt (recovery) expense	371	78
Non-cash charge, contribution from Parent	—	107
Depreciation of property, plant and equipment	6,108	5,059
Amortisation of intangible assets	3,822	2,810
Impairment of internal-use software and website development	1,463	—
Share-based payment expense	23,216	21,803
Gain on disposal of property, plant and equipment	632	—
Gain on deconsolidation of entity	—	(2,007)
	13,038	9,671
Working capital adjustments:		
Change in Accounts receivable, including related party	(13,488)	(27,863)
Change in Other assets	11,411	(13,333)
Change in Accounts payable	(18,201)	12,820
Change in Accrued expenses and other liabilities	3,236	10,510
Change in Taxes payable/receivable, net	2,929	453
	(14,113)	(17,413)
Income tax paid	(3,325)	(2,550)
Net cash flows from operating activities	**(4,400)**	**(10,292)**
Cash flow from investing activities		
Cash divested from deconsolidation	—	(249)
Acquisition of business, net of cash acquired	—	(673)
Purchase of intangible assets and purchase of property, plant and equipment	(24,454)	(17,364)
Proceeds from the sale of property, plant and equipment and intangible assets	634	—
Net cash flows from investing activities	**(23,820)**	**(18,286)**
Cash flow from financing activities		
Tax payments for shares withheld	—	(3,062)
Interest paid	(223)	(44)
IPO Liabilities	—	(4,038)
Proceeds from exercise of option awards	161	42
Dividends paid to equity holders of the NCI	—	(158)
Net cash flows from financing activities	**(62)**	**(7,260)**
Net foreign exchange difference	(24)	(1,259)
Net increase in cash and cash equivalents	(28,306)	(37,097)
Cash and cash equivalents at beginning of the period	190,201	227,298
Cash and cash equivalents at end of the period	**161,871**	**190,201**

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.

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.

trivago N.V. historically acted as a holding company of trivago GmbH, the historical operating company of the trivago group. As described in more detail below under "—Post-IPO merger", the merger of trivago GmbH into and with trivago N.V. became effective on September 7, 2017. In this annual report, unless the context otherwise requires, the terms "we," "us," "our," "trivago" and the "company" refer to trivago GmbH, travel B.V. and trivago N.V., and their respective consolidated subsidiaries, as applicable.

Pre-IPO corporate reorganization

On December 21, 2016, trivago N.V. completed its IPO. In connection with the IPO, we underwent a pre-IPO corporate reorganization, and trivago N.V. became the parent holding company of trivago GmbH. Prior to the pre-IPO corporate reorganization, Expedia owned 63.5% and the Founders owned 36.5%, in aggregate, of the voting power in trivago GmbH. On December 16, 2016, Expedia contributed pursuant to the pre-IPO corporate reorganization all of its units in trivago GmbH to travel B.V. in a capital increase in exchange for newly issued Class B shares of travel B.V. In connection with the change of legal form of travel B.V. into trivago N.V., such shares were converted into Class B shares of trivago N.V.The Founders contributed 1,081 units, including units contributed to satisfy the underwriters' exercise of the over-allotment option, of trivago GmbH, representing 7.7% 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. and subsequently sold as ADSs in the IPO.

Post-IPO merger

Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of our plan to merge trivago GmbH into and with trivago N.V., which we refer to as the post-IPO merger. Based on the facts presented in the requests for the rulings, the tax rulings confirmed the tax neutrality of the post-IPO merger for trivago GmbH, trivago N.V. and the Founders under German tax law in all material respects. Following receipt of such tax rulings, we consummated the post-IPO merger, which became effective on September 7, 2017. Pursuant to the post-IPO merger, the Founders exchanged all of their units in trivago GmbH remaining after the pre-IPO corporate reorganization for Class B shares of trivago N.V. As of December 31, 2017and after all trivago GmbH units were exchanged for Class B shares of trivago N.V., the Founders held 34.3% of the voting power in trivago N.V., and Expedia held 64.7% of the voting power in trivago N.V.

As of December 31, 2018, Expedia's ownership interest and voting interest in trivago N.V. is 59.5% and 66.8%, respectively, and the Founders had an ownership interest and voting interest of 28.4% and 31.9%, respectively.

The Supervisory Board approved the consolidated financial statements of 2018 at its meeting on April 25, 2019.

1.2 Basis of preparation

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

General presentation

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

The consolidated statement of financial position is classified using the current/non-current distinction. Trivago Group classifies assets as current if they are expected to be realized within twelve months after the end of the reporting period. Inventories are considered current assets even if they are not expected to be realized within twelve months after the end of the reporting period.

Similarly, liabilities are classified as current if trivago is contractually required or has a constructive obligation to settle them within twelve months after the end of the reporting period.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018.

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 and
- financial instruments recorded at fair value through profit or loss

Estimation uncertainty and management judgment

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

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

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

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

- determination of the useful life of property, plant and equipment, (Reference is made to Note 5.2 of the Financial Statements)
- identification of cash-generating units and determination of recoverable amounts for purposes of impairment tests of goodwill and non-current assets, (Reference is made to Note 5.1 of the Financial Statements)
- recognition and measurement of other provisions, (Reference is made to Note 5.9 of the Financial Statements)
- assessment of the recoverability of deferred tax assets (Reference is made to Note 4.9 of the Financial Statements), and
- share-based payment (Reference is made to Note 8 of the Financial Statements).

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 the trivago and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

As at December 31, 2017 the consolidated financial statements of trivago Group include:

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

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	
	12/31/2018	**12/31/2017**	**2018**	**2017**
U.S. dollar	1,1445	1,2022	1,1817	1,1301

Business combination and Goodwill

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

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

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

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

Intangible assets

Other intangible assets

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

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

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

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

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

Useful life of intangible assets

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

Research and development costs

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

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

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

Property, plant, and equipment

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

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

Useful life of property, plant and equipment

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

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.

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

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

Leases

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

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

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

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

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

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

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

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

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

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

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

Provision for expected credit losses of trade receivables and contract assets

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group assesses of the correlation between historical observed default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Financial liabilities

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise bank 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. During 2018, there were additional options granted in connection with the Omnibus Incentive Plan to employees of trivago.

Equity-settled transactions

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

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments

that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

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

Cash-settled transactions

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

Significant estimates and assumptions for cash-settled transactions

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

Revenue from contracts with customers

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

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

Referral Revenue

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

Most of trivago Group revenue is invoiced on a monthly basis after the service was performed with payment terms between 10 to 90 days. For some advertiser’s we require prepayments.

Subscription Revenue

Revenue from subscription services is recognized ratably over the contract term, which is 12 months or less from the subscription commencement date. This revenue is recognized when trivago Hotel Manager services are performed over the subscription period with contract liabilities recognized upon receipt of payment in advance of revenue recognition. Customers may choose to be billed annually or monthly via SEPA or credit card. The price per subscription is fixed and determinable when the contract commences. This revenue is generated through subscription-based services earned through trivago Hotel Manager Pro applications

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

If the consideration in a contract includes a variable amount, the trivago Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract

inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

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

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

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

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

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

Taxes

Current income tax

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

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

Deferred tax

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

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

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 or different entities that intend to realise the asset and settle the liability at the same time.

1.4 Accounting standards already published but not yet mandatory

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17.

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

Trivago plans to adopt IFRS 16 in accordance with the modified retrospective approach. The prior year figures will not be adjusted. Trivago will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

At the date of issuance of these financial statements, trivago is in the process of finalizing the detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption in the period of initial application is expected to be:

mEUR	lower end of range	higher end of range
Overall impact on assets	75	100
Overall impact on liabilities	75	100

The quantitative information disclosed in this note may be subject to further changes in 2019.

Due to the adoption of IFRS 16, the trivago’s operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.h

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

1.5 Changes in accounting policies and disclosures

Trivago Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.
Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the trivago Group. The trivago Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The change did not have a material impact on statement for profit or loss, consolidated statement of financial position, OCI or statement of cash flows for the period.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: trivago's model for managing the assets ; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of trivago's business model was made as of the date of initial application, 1 January 2018, and then applied prospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the trivago Group.

The following are the changes in the classification of trivago's financial assets and financial liabilities:

- Trade receivables and Other non-current financial assets (i.e., Loan to an associate and Loan to a director) previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

Trivago has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for trivago's financial liabilities.
In summary, upon the adoption of IFRS 9, the trivago Group had the following required or elected reclassifications as at 1 January 2018.

		IFRS 9 measurement category
in mEUR	**Carrying amount**	**Amortised cost**
IAS 39 measurement category		
Loans and receivables		
Trade receivables (restated)	40.8	40.8
Trade receivables, related parties	39.1	39.1
Other financial assets	7.5	7.5
Cash and cash equivalents	190.2	190.2
Financial liabilities at amortised cost		
Trade payables	50.4	50.4
Other financial liabilities	12.7	12.7

(b) Impairment
The adoption of IFRS 9 has changed the trivago's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires trivago to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

in kEUR	**Allowance for impairment under IAS 39 as at 31 December 2017**	**Remeasurement**	**ECL under IFRS 9 as at 1 January 2018**
Loans and receivables under IAS 39/ Financial assets at amortised cost under IFRS 9 and contract assets	210	(25)	185

2. Business combinations

In August 2017, we acquired all material assets of tripl GmbH through a business combination for a total purchase consideration of €0.7 million. The acquisition is intended to enhance trivago's product with personalization technology that uses big data and a customer-centric approach.

During December 2017, myhotelshop GmbH issued 8,074 new common shares for a total of €0.1 million to a minority shareholder, who was and continues to be an unrelated party to trivago. The capital infusion diluted our share in myhotelshop from 61.3% to 49.0%. In addition to the capital infusion, we no longer have any put/call rights to purchase the minority interest in myhotelshop. Following the increase in capital, we lost controlling financial interest in myhotelshop. We deconsolidated myhotelshop's assets and liabilities, including the historical redeemable noncontrolling interest of myhotelshop, as of that date from the consolidated financial statements and present our remaining share in myhotelshop as an equity investment, initially at fair value, in other long-term assets in the consolidated balance sheet.

In 2018 there were no business combinations.

3. Segment information

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

2018 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	378.9	316	204.9	0.0	899.8
Other sales	0.0	0.0	0.0	15.0	15
Total sales	378.9	316	204.9	15.0	914.8
Advertising spend	265.0	261.6	205.8	0.0	732.4
ROAS contribution	113.9	54.4	-0.9	15.0	182.4

2017 in mEUR	Developed Europe	Americas	Rest of World	Corporate and Eliminations	Total
Referral sales	425.0	391.7	203.7	0.0	1020.3
Other sales	0.0	0.0	0.0	15.1	15.1
Total sales	425.0	391.7	203.7	15.1	1035.4
Advertising spend	324.5	338.1	222.1	0.0	884.7
ROAS contribution	100.5	53.6	-18,5	15.1	150.7

In 2018, the trivago Group generated sales of 636.8 mEUR (prior year: 764 mEUR) from the top three key customers, representing approximately 70% (prior year: 74%) of total group sales and approximately the following amounts and percentages per operating segment:

- Developed Europe (2018: 265 mEUR and 70%, 2017: 310 mEUR and 71%)
- Americas (2018: 238 mEUR and 75%, 2017: 313 mEUR and 80%)
- Rest of World (2018: 134 mEUR and 65%, 2017: 141 mEUR and 69%)

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

Reconciliation of segment information

in mEUR	2018	2017
Referral sales	899,8	1,020.3
Other sales	15,0	15.1
Total sales	**914,8**	**1,035.4**
Advertising spend	**732,5**	**884.7**
ROAS contribution	**182,4**	**150.7**
Cost of sales	5,5	6.0
Other selling and marketing	73,5	63.9
Technology and content	68,3	53.4
General and administrative expenses	56,1	47.9
Other operating income (expense)	0,7	2.6
Operating profit	**-20,4**	**(17.9)**
Finance expense	0,1	—
Financial result	**-0,1**	**—**
Profit (loss) before taxes	**-20,4**	**(17.9)**
Income taxes	1,8	(3.2)
Profit for the year	**-22,2**	**(14.7)**

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

in mEUR	2018	2017
Property, plant and equipment	26	15.4
Intangible assets	8.8	7.1
Other assets	6,1	7
Deferred taxes	5,3	4.3
Total	**46,2**	**33.9**
thereof: Germany	*43,2*	*32.1*
thereof: All other countries	*2,9*	*1.8*

4. Notes to the statement of profit or loss

4.1. Revenue from contracts with customers

Revenue from contracts with customers

in mEUR	2018	2017
Referral revenue	899.8	1,020.3
Other revenue	15.0	15.1
Total	**914.8**	**1,035.4**

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 2018 decreased by 120.5 mEUR or 11.8% compared to fiscal year 2017. This reduction was primarily due to a decrease in the number of qualified referrals in the fiscal year 2018 compared to fiscal year 2017. The number of Qualified Referrals decreased to 668.3 million in the twelve months ended December 31, 2018, compared to 727.1 million for the same period in 2017, or by 8% year-over-year. Most of our revenue is invoiced on a monthly basis after the performance obligation has been satisfied with payment terms between 10 to 90 days. For some advertisers we require prepayments.

Other revenue is related to 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. Other revenue decreased by 0.1 mEUR or 0.7% compared to fiscal year 2017. Revenue from subscription services is recognized ratably over the contract term, which is 12 months or less from the subscription commencement date. Customers may choose to be billed annually or monthly via SEPA or credit card. The price per subscription is fixed and determinable when the contract commences.

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

Revenue by geografic area

in mEUR	2018	2017
United States	194.4	255.5
United Kingdom	95.9	108.1
Germany	73.1	85.3
Australia	47.7	50.6
Spain	34.1	36.8
All other countries	469.6	499.1
Total	**914.8**	**1,035.4**

4.2 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 0.2 mEUR (prior year: 0.2 mEUR). For further explanation see Note 8 “Share-based payment plan”.

4.3 Selling and distribution costs

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

Advertising expense consists of fees that trivago Group pays 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	2018	2017
Advertising expenses	732.5	884.7
Other selling and marketing expenses	73.5	63.9
thereof: Share-based compensation	3.0	*5.2*
Total	**806.0**	**948.6**

Selling and marketing expenses for the year ended December 31, 2018 decreased by 142.6 mEUR , or 15% compared to the year ended December 31, 2017, primarily due to the reductions in Advertising Spend we made starting in the second quarter of 2018. We implemented reductions in Advertising Spend across all segments, and they were reflected in reduced brand marketing expenditure and increased return on investment targets for our performance marketing campaigns. These measures resulted in a decline of 152.2 mEUR or 17% in Advertising Spend for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Other selling and marketing expenses for the year ended December 31, 2018 increased by 11.9 mEUR , or 20% , compared to the year ended December 31, 2017, primarily driven by increases in production costs for TV advertisements and the development of new creative concepts.

Share-based compensation decreased by 2.2 mEUR or 42%, in the year ended December 31, 2018 compared to the year ended December 31, 2017, mainly driven by award forfeitures partially offset by new grants during the year.

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

4.4 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	2018	2017
Personnel costs	36.3	30.5
Share-based compensation	6.2	4.7
Depreciation and amortization	5.1	3.8
Other	20.8	14.4
Total	**68.3**	**53.4**

Technology and content expense for the year ended December 31, 2018 increased by 14.9 mEUR, or 28%, compared to the year ended December 31, 2017.

Personnel costs increased by 5.8 mEUR, or 19%. Even though our headcount reduced from 652 employees as of December 31, 2017 to 620 employees as of December 31, 2018, our compensation expense and related social security amounts increased by 5.9 mEUR for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first half of 2018 compared to the same period in 2017.

Other expenses increased by 6.3 mEUR, or 44% , mostly due to an increase in our costs for third-party IT service providers. Depreciation for the year ended December 31, 2018 increased by 1.3 mEUR, or 34%, respectively, compared to the year ended December 31, 2017, mainly due to the move to our new corporate headquarters in June 2018. Additionally, Technology and content headcount was proportionally larger in 2018 than in 2017, leading to higher depreciation and office expense cost allocation.

Our share-based compensation increased by 1.5 mEUR for the year ended December 31, 2018 driven by new grants that were partly offset by forfeitures during the year.

4.5. 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 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	**2018**	**2017**
Personnel costs	17.3	13.5
Share-based compensation	13.9	11.7
Shared service costs	0.0	0.1
Professional fees and other	24.9	22.5
Total	**56.1**	**47.9**

General and administrative expense for the year ended December 31, 2018 increased by 8.2 mEUR, or 17%, compared to the year ended December 31, 2017, primarily due to an increase in personnel-related costs of 3.8 mEUR, or 28%, and an increase in share-based compensation of 2.1 mEUR, or 18%, which was mainly driven by new grants that were partly offset by forfeitures during the year.

Personnel-related costs increased mostly due to an increase in compensation expense and related social security amounts of 3.1 mEUR for the year ended December 31, 2018, compared to the year ended December 31, 2017, as our headcount was higher in the first three quarters of 2018 compared to the same periods in 2017.

Professional fees and other expenses for the year ended December 31, 2018 increased by 2.4 mEUR, or 11%, compared to the year ended December 31, 2017, primarily due to a decrease in losses on receivables by 1.6 mEUR resulting mostly from an adjustment in 2018 to losses recorded in prior periods, that were offset by the 1.0 mEUR impairment of an internal-use software in the second quarter of 2018 and an increase in our depreciation expense of 0.6 mEUR.

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

4.6 Personnel expenses

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

Personnel expenses by cost type		
in mEUR	**2018**	**2017**
Wages and salaries	92.0	83.3
Social security costs	16.0	12.9
Pension expenses	0.2	0.2
Termination benefits	1.1	0.0
Total	**109.2**	**96.4**

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 increase in comparison to the prior year is mainly due to increase of wages and salaries including share-based compensation expenses. For further explanation of share-based compensation see Note 8 “Share-based payment plan”.

The number of employees decreased from 1,609 in the prior year to 1,354 at the end of the reporting period. The average number of employees in the fiscal year 2018 amount to 1,482 (prior year: 1,421), of which 1,346 (prior year: 1,290) were employed in Germany and 39 (prior year: 39) were employed in the Netherlands.

Personnel expenses are divided among the various divisions as follows:

Personnel expenses		
in mEUR	**2018**	**2017**
Cost of Sales	1.8	1.9
Selling and distribution expenses	33.7	34.1
Technology and content	42.4	35.2
General and administrative expenses	31.2	25.3
Total	**109.2**	**96.4**

4.7 Depreciation and amortization

Depreciation and amortization

in mEUR	**2018**	**2017**
Cost of Sales	1.0	1.1
Selling and distribution	1.8	1.7
Technology and content	5.0	3.8
General and administrative	2.0	1.2
Total	**9.8**	**7.8**

4.8 Financial result

Financial result consists of finance expenses in the amount of 0.1 mEUR (prior year: 0.0 mEUR).

4.9 Income taxes

trivago is subject to unlimited tax liability for German corporate income tax (Körperschaftsteuer) and trade tax (Gewerbesteuer) purposes due to its effective place of management in Germany and notwithstanding the fact that it is incorporated in the Netherlands.
The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (Solidaritätszuschlag) amounting to 5.5% on the corporate income tax liability (i.e., 15.825% in total). Trade tax is levied on a company´s taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate in fiscal year 2018 amounts to approximately 15.405% (prior year: 15.405%).

Income taxes

in mEUR	**2018**	**2017**
Current income tax	2.4	0.4
Deferred taxes	(0.6)	(3.6)
Total	**1.8**	**(3.2)**

Income taxes do not include effects not relating to the reporting period in 2018 and 2017.

Deferred tax income relates to the origination and reversal of temporary differences in the amount of 0.6 mEUR (prior year: (3.6) mEUR).

Deferred taxes result from the following items:

Deferred assets and liabilities

	as of December 31,	
in mEUR	**2018**	**2017**
Intangible assets	0.4	0.0
Other receivables and assets	5.0	2.5
Trade payables and other liabilities	1.4	0.5
Tax losses carry-forward	0.9	2.2
Other	1.2	1.4
Deferred tax assets	**9.0**	**6.5**
Intangible assets	2.8	2.1
Trade payables and other liabilities	0.4	0.0
Other	0.4	0.0
Deferred tax liabilities	**3.7**	**2.1**
Amount recognized in profit and loss	**0.6**	**3.6**
Amount recognized in equity	**0.0**	**0.0**

As of the balance sheet date, deferred tax assets and liabilities of 3.7 mEUR (2017: 2.1 mEUR) were offset, having met the requirements for offsetting.

At December 31, 2018, trivago Group had net operating loss carryforwards ("NOLs") for a tax-effected amount of approximately 0.9 mEUR. The tax-effected NOL carryforwards decreased by 1.6 mEUR from the amount recorded at December 31, 2017 primarily due to utilization of pre-tax losses at the level of the trivago N.V.
trivago N.V. is a Dutch listed entity, however has its tax residency in Germany. In 2017, trivago N.V. and trivago GmbH merged for tax purposes. This merger enables trivago N.V. to offset its NOLs with any future taxable profits of trivago GmbH. As a result, the 3.2 mEUR previously unrecognized losses of trivago N.V. have been fully recognized in FY 2017.

Of this 3.2 mEUR, 0.7 mEUR of NOLs have not been utilized at December 31, 2018. If not utilized, the tax-effected NOL carryforwards of 0.7 mEUR may be carried forward indefinitely. 0.2 mEUR tax-effected NOLs referred to previously unrecognized losses of Base7 GmbH, which also may be carried forward indefinitely.

The tax-effected valuation allowance decreased by 0.2 mEUR from the amount recorded at December 31, 2017 and relates to the recognition of previously unrecognized losses at the Base7 GmbH level.

The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period change, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

The total cumulative amount of undistributed earnings related to investments in certain foreign subsidiaries where the foreign subsidiary has or will invest undistributed earnings indefinitely was 2.0 mEUR at December 31, 2018. trivago Group has not provided for any deferred income taxes on this difference as only 5% refer to a taxable temporary difference under German tax law, which is insignificant. In the event trivago Group distributes such earnings in the form of dividends or otherwise, these would be tax exempt for all investments located in Europe. Any capital gains on the sale of participations would be 95% exempt under German tax law.

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

Tax reconciliation

in mEUR	**2018**	**2017**
Result before income tax	**-20,4**	**-17.9**
Group tax rate	31,2	31.2
Income taxes based on group statutory tax rate	**-6,4**	**-5.6**
Foreign rate differential	0,0	0
Non-deductible share-based compensation	7,3	5.8
Losses for which no deferred tax is recognized	-0.2	-3.5
Other differences	1.1	0
Effective tax expenses as per income statement	**1.8**	**-3.2**

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

4.10 Earnings per Share

Effective with our IPO, basic and diluted earnings per share of Class A and Class B common stock is computed by dividing net income attributable to trivago N.V., after adjusting for noncontrolling interest, by the weighted average number of Class A and Class B common stock outstanding during the same period. Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method.There were no shares of Class A or Class B common stock outstanding prior to December 16, 2016, therefore no earnings per share information has been presented for any period prior to that date.

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 8 "Share-based Payment plans".

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

Earnings per share		
	2018	**2017**
Loss attributable to the shareholders of trivago N.V.		
Basic, profit/(loss) for the year in EUR	(0.06)	(0.05)
Diluted , profit/(loss) for the year in EUR	(0.06)	(0.05)
Weigthed average number of outstanding shares in units		
Weighted average shares of Class A and Class B common stock outstanding - basic	350,852	274,666
Weighted average shares of Class A and Class B common stock outstanding - diluted	350,852	274,666

Diluted weighted average common shares outstanding does not include the effects of the exercise of outstanding stock options as the inclusion of these instruments would have been anti-dilutive.

5. Notes to the statement of financial position

5.1 Intangible assets

Development of intangible assets

in mEUR	Goodwill	Capitalized Software	Other Intangible assets	Total
Historical cost				
As of 01/01/2017	**3.4**	**7.3**	**—**	**10.7**
Additions	0.3	6.0	0.5	6.8
Disposals	(0.1)	—	—	(0.1)
Exchange rate differences	(0.2)	—	—	(0.2)
As of 12/31/2017	**3.4**	**13.3**	**0.5**	**17.2**
As of 01/01/2018	**3.4**	**13.3**	**0.5**	**17.2**
Additions	—	6.9	—	6.9
Disposals	—	—	—	—
Transfer	—	—	—	—
Exchange rate differences	—	—	—	—
As of 12/31/2018	**3.4**	**20.3**	**0.5**	**24.2**
Accumulated depreciation				
As of 01/01/2017	**—**	**(3.9)**	**—**	**(3.9)**
Additions	—	(2.7)	(0.1)	(2.8)
As of 12/31/2017	**—**	**(6.6)**	**(0.1)**	**(6.8)**
As of 01/01/2018	**—**	**(6.6)**	**(0.1)**	**(6.7)**
Additions	—	(3.7)	(0.1)	(3.8)
Impairments	—	(1.5)		(1.5)
Disposals	—	—	—	—
Transfer	—	—	—	—
Exchange rate differences	—	—	—	—
As of 12/31/2018	**—**	**(11.8)**	**(0.2)**	**(12.0)**
Net carrying amount as of 1/1/2017	3.4	3.4	—	6.8
Net carrying amount as of 12/31/2017	3.4	6.7	0.4	10.5
Net carrying amount as of 12/31/2018	3.4	8.5	0.3	12.2

The impairment of 1.5 mEUR is related to internal use software and website development that became obsolete in 2018.

A goodwill amounting to 3.4 mEUR is recognized as of December 31, 2018 (3.4 mEUR as of December 31, 2017).

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 for example trademarks are allocated for impairment test purposes to cash-generating units.

The Group performed its annual impairment test of goodwill and purchased intangible assets with indefinite lives during the fourth quarter of 2018 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, 2018 the groups consolidated net asset value was approximately 252.6 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 exceeded 2.0 bUSD in December, we concluded that there is no risk of impairment on allocated goodwill or our indefinite-lived intangible assets' carrying value.

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

5.2 Property, plant, and equipment

Development of property, plant and equipment

in mEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Construction in progress	Total
Historical cost						
As of 01/01/2017	**8.4**	**2.7**	**1.0**	**1.8**	**—**	**13.9**
Additions	5.1	0.8	—	2.2	4.8	12.9
As of 12/31/2017	**13.4**	**3.6**	**1.0**	**4.0**	**4.8**	**26.8**
As of 01/01/2018	**13.4**	**3.6**	**1.0**	**4.0**	**4.8**	**26.8**
Additions	2.1	1.3	0.9	2.1	11.4	17.9
Disposals	(0.9)	(1.1)	—	(1.7)	—	(3.6)
Transfer	0.9	2.2	0.8	12.2	(16.1)	—
Exchange rate differences	—	—	—	—	—	—
As of 12/31/2018	**15.6**	**6.1**	**2.7**	**16.7**	**0.1**	**41.1**
Accumulated depreciation						
As of 01/01/2017	**(3.8)**	**(1.4)**	**(0.4)**	**(0.6)**	**—**	**(6.2)**
Additions	(3.0)	(0.7)	(0.3)	(1.2)	—	(5.1)
As of 12/31/2017	**(6.8)**	**(2.0)**	**(0.7)**	**(1.8)**	**—**	**(11.3)**
As of 01/01/2018	**(6.8)**	**(2.0)**	**(0.7)**	**(1.8)**	**—**	**(11.3)**
Additions	(3.7)	(1.2)	(0.3)	(0.9)	—	(6.1)
Disposals	0.5	0.5	—	1.4		2.3
As of 12/31/2018	**(10.1)**	**(2.8)**	**(1.0)**	**(1.3)**	**—**	**(15.1)**
Net carrying amount as of 12/31/2017	6.6	1.6	0.3	2.2	4.8	15.4
Net carrying amount as of 12/31/2018	5.5	3.3	1.7	15.4	0.1	26.0

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

5.3 Trade receivables

Trade receivables

		As of December 31,
in mEUR	**2018**	**2017**
Trade receivables (gross)	**53.8**	**41.0**
Former impairment allowances	—	(0.2)
Trade receivables (net) before IFRS 9 adoption	**53.8**	**40.8**
Expected credit losses	(0.5)	—
Trade receivables (net)	**53.3**	**40.8**

As of December 31, 2018 impairment allowances for trade receivables amounts to 0.5 mEUR (prior year: 0.2 mEUR). The effect of adoption of new accounting standard IFRS 9 amounts to -25 kEUR as of January 1, 2018 (Note 1.5). The development of allowance for expected credit losses in 2018 and impairment allowances for trade receivables in prior year can be seen below:

Impairment of trade receivables and allowances for expected credit losses		
in mEUR	2018	2017
As of January 1	**0.2**	**0.2**
Additions	0.9	2.3
Utilisation	(0.6)	(2.2)
As of December 31	**0.5**	**0.2**

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

	Days past due				
in kEUR	Current or less than 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days	Total
Trade receivables as of 12/31/2018	52,290	977	532	—	**53,799**
Expected credit loss rate	0,37%	13,41%	37,97%	—	
Estimated total gross carrying amount at default	196	131	202	—	**529**
Trade receivables as of 12/31/2017	40,151	658	55	89	**40,953**
Expected credit loss rate	0,28%	6,84%	17,20%	31,46%	
Estimated total gross carrying amount at default	112	45	9	28	**194**

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

5.4 Trade receivables, related parties

Trade receivables. related parties		
	As of December 31,	
in mEUR	2018	2017
Trade receivables (gross)	**39.7**	**39.1**
Expected credit losses	0.0	0.0
Trade receivables (net)	**39.7**	**39.1**

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

5.5 Other assets

Other financial assets						
	As of December 31,					
	2018			2017		
in mEUR	Current	Non-current	Total financial assets	Current	Non-current	Total financial assets
Restricted Cash	0,1	2,3	2,4	0.1	2.6	2.7
Creditor`s with debit balance	0,7	0,0	0,7	2.4	0.0	2.4
Receivables against employees	0,4	0,0	0,4	0.5	0.0	0.5
Receivables Health insurance	0,0	0,0	0,0	0.0	0.0	0.0
Deposits	0,0	0,7	0,7	0.0	1.0	1.0
Other	0,0	1,0	1,0	0.0	0.9	0.9
Total	**1,2**	**4,0**	**5,2**	**3.0**	**4.5**	**7.5**

Other non-financial assets

	As of December 31,					
	2018			2017		
in mEUR	Current	Non-current	Total assets	Current	Non-current	Total assets
Prepaid expenses	1,8	0,0	1,8	6.1	0.0	6.1
Advance payments	6,2	1,7	7,9	10.6	1.8	12.3
Income tax receivable	0.3	0.0	2.1	0.0	0.0	0.0
VAT	1,1	0,0	1,1	1.1	0.0	1.1
Other	0,0	0,4	0,4	0.0	0.7	0.7
Total	**9,3**	**2,1**	**11,5**	**19.9**	**2.5**	**22.3**

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, 2018 and as of December 31, 2017 no other financial assets and other assets are overdue. No impairment allowances for other financial assets and other assets were recognized.

5.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand amounting to 161.9 mEUR as of December 31, 2018 and to 190.2 mEUR December 31, 2017. The development and application of cash and cash equivalents is stated in the consolidated statement of cash flows.

5.7 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, 2018, we had ADSs representing 42,559,884 Class A shares outstanding, 308,687,967 Class B shares outstanding. During the third quarter of 2017 the Founders exchanged their units in trivago GmbH for 110,791,880 Class B shares in trivago N.V. in connection with the merger of trivago GmbH with and into trivago N.V. Each Class B share is convertible into one Class A share at any time by the holder. During 2018, 11,112,001 Class B shares were converted into Class A shares.

Class A and Class B common stock has a par value of €0.06 and €0.60, respectively. The holder of our Class B shares, Expedia and Founders, are entitled to ten votes per share, and holders of our Class A shares are entitled to one vote per share. All other terms and preferences of Class A and Class B common stock are the same.

Other capital reserves

Other capital reserves primarily represents share premium as result of the corporate reorganization and IPO. Further effects to the other capital reserves are due to the merger of trivago GmbH with and into trivago N.V. and exercises of employee stock options.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income represents foreign currency translation adjustments for our subsidiaries in foreign locations. As of December 31, 2018, we do not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months.

Contribution from Parent

The change in 2017 relates to Expedia corporate expenses allocated to trivago.

Non-controlling interests

In 2018 there are no remaining non-controlling interests due to corporate reorganisation in prior year. In 2017 non-controlling interests were measured at the proportionate share in the subsidiaries net assets.

Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of our plan to merge trivago GmbH into and with trivago N.V., which we refer to as the post-IPO merger. Based on the facts presented in the requests for the rulings, the tax rulings confirmed the tax neutrality of the post-IPO merger for trivago GmbH, trivago N.V. and the Founders under German tax law in all material respects. Following receipt of such tax rulings, we consummated the post-IPO merger, which became effective on September 7, 2017. Pursuant to the post-IPO merger, the Founders exchanged all of their units in trivago GmbH remaining after the pre-IPO corporate reorganization for Class B shares of trivago N.V. As of December 31, 2017 and after all trivago GmbH units were exchanged for Class B shares of trivago N.V., the Founders held 34.3% of the voting power in trivago N.V., and Expedia held 64.7% of the voting power in trivago N.V.

As of December 31, 2018, Expedia's ownership interest and voting interest in trivago N.V. is 59.5% and 66.8%, respectively, and the Founders had an ownership interest and voting interest of 28.4% and 31.9%, respectively.

5.8 Loans due to banks

We maintain a €50.0 million uncommitted credit facility with an interest rate of LIBOR, floored at zero, plus 1% per annum, which is guaranteed by Expedia, that may be terminated at any time by the lender. As of December 31, 2017 and December 31, 2018 we had no borrowings outstanding on the consolidated balance sheet.

5.9 Trade payables and other liabilities

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

Trade payables and other liabilities

	As of December 31,					
	2018			2017		
in mEUR	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade payables	32.7	0.0	32.7	50.4	0.0	50.4
Other financial liabilities	12.5	2.8	15.3	12.5	0.2	12.7
Other non-financial liabilities	12.1	1.0	13.1	11.3	1.0	12.3
Total	**57.3**	**3.8**	**61.1**	**74.2**	**1.2**	**75.4**

Other financial liabilities as of December 31, 2018 mainly include accruals for social expenses amounting to 6.4 mEUR and outstanding invoices amounting to 2.2 mEUR. In prior year 10.1 mEUR liabilities related mainly to professional fees, of which invoices are yet to be received as of financial year end.

Other non-financial liabilities mainly include 8.2 mEUR current contract liabilities (2017: deferred revenues of 9.1 mEUR) from subscription-based services earned through trivago Hotel Manager Pro applications. Revenue from subscription services is recognized ratably over the contract term, which is 12 months or less from the subscription commencement date.

Trade payables include 8.2 mEUR TV marketing accruals (2017: 10.5 mEUR).

6. Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below. No financial instruments were reclassified between categories.

in mEUR	Carrying amount	As of December 31, 2018 Amount recognised in balance sheet according to IFRS 9 Amortized cost	Fair value through OCI	Fair value recognized in profit and loss	Fair value
Financial Assets					
Trade receivables	53.3	53.3	—	—	53.3
Trade receivables, related parties	39.7	39.7	—	—	39.7
Other financial assets	5.2	5.2	—	—	5.2
Cash and cash equivalents	161.9	161.9	—	—	161.9
Financial Liabilities					
Trade payables	32.7	32.7	—	—	32.7
Other financial liabilities	14.4	14.4	—	—	14.4

in mEUR	Carrying amount	As of December 31, 2017 (restated) Amount recognised in balance sheet according to IFRS 9 Amortized cost	Fair value through OCI	Fair value recognized in profit and loss	Fair value
Financial Assets					
Trade receivables	40.8	40.8	—	—	40.8
Trade receivables, related parties	39,1	39.1	—	—	39.1
Other financial assets	7.5	7.5	—	—	7.5
Cash and cash equivalents	190.2	190.2	—	—	190.2
Financial Liabilities					
Trade payables	50.4	50.4	—	—	50.4
Other financial liabilities	12.7	12.7	—	—	12.7

Financial assets include non-current assets amounting to 4.0 mEUR as of December 31, 2018 (prior year: 4.5 mEUR).

Cash and cash equivalents, other financial assets as well as trade receivables mainly have short remaining maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.
Trade payables and other financial liabilities mostly have short terms. Their carrying values on the reporting date are thus similar to fair value. The same applies to current liabilities due to banks.
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 measurement hierarchy for assets as at 31 December 2018:

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

in mEUR	As of December 31, 2017 Level 1	Level 2	Level 3
Other financial assets	—	—	—
Other financial liabilities	—	—	—
Total	**—**	**—**	**—**

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

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

Net gains and losses by category of financial instruments

	As of December 31,						
	2017 (restated)						
			From subsequent measurement				
in mEUR	From interest	From remuneration	At fair value recognized in OCI	At fair value recognized in profit and loss	Currency translation	Impairment	Net result
Financial Assets	—	—	—	—	0.1	(2.3)	**(2.2)**
Financial Liabilities	—	—	—	—	—	—	—
Total	—	—	—	—	**0.1**	**(2.3)**	**(2.2)**

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

7. Financial risk management

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

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

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

Liquidity risks

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

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

All instruments held as of the reporting date and for which payments were already contractually agreed were included. Planning data for future new liabilities is not included. Amounts in foreign currencies were translated at the year-end spot rate. Variable

interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Credit risk

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

trivago Group`s customer base includes primarily OTAs, hotel chains and independent hotels. Trivago Group 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.

trivago works with several banks to mitigate credit risk exposure.

Interest rate risk

Because the interest rate on the credit facility is tied to a market rate, trivago Group will be susceptible to fluctuations in interest rates if, consistent with our practice to date, trivago Group do not hedge the interest rate exposure arising from any advances under the credit facility. As of December 31, 2018, no amounts are outstanding under our credit facility.

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

Foreign currency risk

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

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact our business fluctuate in relation to the functional currency of the consolidated entities, the relative composition and denomination of current assets and liabilities for each period, and the effectiveness at forecasting and managing, through balance sheet netting, such exposures. As an example, if the foreign currencies in which trivago Group hold net asset balances were all to weaken by 10% against the euro and other currencies in which trivago Group hold net liability balances were all to strengthen by 10% against the euro, trivago Group would recognize foreign exchange losses of 0.7 mEUR based on the net asset or liability balances of foreign denominated cash, accounts receivable, and accounts payable balances as of December 31, 2018. As the net composition of these balances fluctuate frequently, even daily, as do foreign exchange rates, the example loss could be compounded or reduced significantly within a given period.

During the years ended December 31, 2018 and 2017, net foreign exchange rate gains (losses) of (0.6) mEUR and 0.1 mEUR, were recorded respectively.

8. Share-based Payment Plans

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

77 and 146 Class A employee share options were granted in 2015 and 2016, respectively. Additionally, 62,178 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, ELPS 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 ELPS as part of this call right exercised by ELPS. The acquisition of these employee minority interests increased ELPS'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 ELPS, with the options exercised having strike prices in excess of €1. ELPS 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.

Amendment to trivago option plan

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

Furthermore, as part of the modification of options for 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.

2016 Omnibus Incentive Plan

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.

trivago amended option plan

Under the trivago amended option plan, we may grant share options and other share-based awards to management board and supervisory board members, officers, employees and consultants. We issue new shares to satisfy the exercise or 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	**2018**	**2017**
Expense arising from equity-settled share-based payment transactions	23.3	21.9
Expense arising from cash-settled share-based payment transactions	—	—
Total expense arising from share-based payment transactions	23,3	21.9
Additional modification charges	0.0	0.0

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

Movements during the year of share-based compensation

	No.	**WAEP**	**Remaining contractual life (years)**	**Aggregate intrinsic value**
Balance as of January 1, 2017 (trivago N.V. equivalents)	**7,704,659**			
Granted	10,561,011	7.16		11.827
Exercised	1,093,428	**0.13**		14860
Cancelled	63,658	8.15		366
Balance as of December 31, 2017	**17,108,574**	**5.66**	**21**	**32,178**
Excercisable as of December 31, 2017	5,304,662	1.54	44	25,891
Vested and expected to vest after December 31, 2017	17,108,574	5.66	21	32,178
Granted	4,944,430	3.99		12,573
Exercised	531,410	0.30		2,855
Cancelled	828,196	6.23		1,182
Balance as of December 31, 2018	**20,693,398**	**5.54**	**17**	**32,050**
Excercisable as of December 31, 2018	7,057,182	4.08	35	21,894
Vested and expected to vest after December 31, 2018	20,693,398	5.54	17	32,050

As discussed above, the options legally exercised in 2015 were subject to an accounting modification that changed their classification from equity to liability awards. These awards remained subject to variable accounting treatment through their

settlement date in June 2016. Prior to the IPO, 93 Class A and 6 Class B options (in terms of Class A equivalents options) were subject to liability accounting. As of December, 31, 2017 and 2018, no option awards are subject to liability accounting. The total intrinsic value of share options exercised was €14.9 million and €2.9 million for the year ended December 31, 2017 and December 31, 2018, respectively.

In 2018, we granted restricted stock units (RSUs) as part of our share-based compensation. The RSUs are service-based awards which vest between one and three years. The fair value of the RSUs granted are based on the stock price on the day of grant.

The following table presents a summary of our RSUs:

	RSUs	Weighted Average Grant Date Fair Value	Remaining contractual life in years
Balance as of January 1, 2018	—	—	—
Granted	57,806	3.88	7
Vested	—	—	—
Cancelled	—	—	—
Balance as of December 31, 2018	**57,086**	**3.88**	**7**

During the years ended December 31, 2017 and 2018, we awarded share options as part of our share-based compensation.

Cash received from share-based award exercises for the years ended December 31, 2017 and 2018 was 42 kEUR and 161 kEUR, respectively

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 17 years.
The weighted average fair value of options granted during the year was 3.99 EUR (2017:7.16 EUR).

The range of exercise prices for options outstanding at the end of the year was 12.14 USD to 0.06 EUR (2017: 12.14 USD to 0.06 EUR).

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2018 and 31 December 2017:

Inputs to the models used for share-based compensation

	2018	2017
Weighted average fair values at the measurement date (€)	3	4
Dividend yield (%)	0	0
Expected volatility (%)	33	41
Risk–free interest rate (%)	1.74	2.18
Expected life of share options/SARs (years)	4.42	4.62
Weighted average share price	5.66	5.66
Model used	Black-Scholes	Black-Scholes

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

9. 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, 2018 and 2017, rental expense was 7.0 mEUR and 4.8mEUR, respectively.
Trivago Group expects the following minimum lease payments from non-cancellable rental and lease agreements in the upcoming years.

Operating Leasing

in mEUR	Nominal value of the future minimum lease payments 12/31/2018	12/31/2017
Remaining term of up to 1 year	10.3	7.5
Remaining term of more than 1 year and up to 5 years	34.5	33.7
Remaining term of more than 5 years	32.0	32.2
Total	**76.8**	**73.4**

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

Purchase obligations

in mEUR	Nominal value of the future minimum purchase obligations 12/31/2018	12/31/2017
Remaining term of up to 1 year	19.8	13.3
Remaining term of more than 1 year and up to 5 years	0.0	0.0
Remaining term of more than 5 years	0.0	0.0
Total	**19.8**	**13.3**

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

The Company assessed it's contingencies and concluded there were no other contingencies that management expects to have a material adverse effect on the group's financial position as at 31 December 2018. A further description is included in the board report (section 2.4.18) .

10. Cash Flow Statement

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

11. Related Party Disclosures

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

Related party transaction - management

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

Axel Hefer
Rolf Schrömgens
Johannes Thomas

We consider our management board as "key management".

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

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

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

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

We provided our management board with the following cash compensation in the fiscal year 2017:

(in kEUR)	**Hefer**	**Lehnert**	**Schrömgens**	**Siewert**	**Thomas**	**Vinnemeier**
Amounts of periodically-paid remuneration	240	240	240	240	240	240
Bonuses	72	72	—	—	72	—
Profit Participation	—	—	—	—	—	—
Total cash compensation	312	312	240	240	312	240

In each case, our management board met the objectives set forth as a condition for the awarding of the respective bonus paid to them. In 2017, each of the Founders waived his cash bonus, and the Supervisory Board awarded the non-Founders a one-time retention bonus, included in the bonus amounts included in the table above. As of December 31, 2017, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our management board members. In the year 2017, none of our management board members exercised any options in trivago N.V.

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

Beneficiary	**Grant date**	**Vesting date**	**Number of options outstanding[1]**	**Strike price**	**Expiration Date[2]**
Hefer	Sept. 23, 2016	May 1, 2017, 2018, 2019	63,830	€0.12	None
	Sept. 23, 2016	May 1, 2017, 2018, 2019	153,192	€11.75	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	600,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	1,276,000	$7.17	Dec. 20, 2024
	Dec. 20, 2017	July 2, 2020, Jan 2. 2023	1,500,000	$7.17	Dec. 20, 2024
Schrömgens	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
Thomas	March 18, 2014	June 7, 2015, 2017	170,213	€2.11	None
	May 15, 2015	March 8, 2016, 2017,2018	110,639	€2.11	None
	May 15, 2015	July 31, 2017	102,711	€0.06	None
	July 16, 2015	July 16, 2015	25,678	€0.06	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	476,000	$7.17	Dec. 20, 2024

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

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

Our management board held the following options (both vested and unvested) as of December 31, 2017:

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration Date[2]
Hefer	Sept. 23, 2016	May 1, 2017, 2018, 2019	63,830	€0.12	None
	Sept. 23, 2016	May 1, 2017, 2018, 2019	153,192	€11.75	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	600,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	1,276,000	$7.17	Dec. 20, 2024
	Dec. 20, 2017	July 2, 2020, Jan 2. 2023	1,500,000	$7.17	Dec. 20, 2024
Lehnert	October 1, 2011	October 1, 2011, 2012, 2013, 2014	188,305	€0.06	None
	January 1, 2013	January 1, 2014, 2015, 2016	51,356	€0.06	None
	March 18, 2014	June 7, 2015, 2017	229,788	€2.11	None
	May 15, 2015	July 31, 2017	102,711	€0.06	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	March 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
	December 20, 2017	Jan. 2, 2019, 2020, 2021	476,000	$7.17	Dec. 20, 2024
Schrömgens	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
Siewert	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	160,000	$7.17	Mar. 6, 2024
Thomas	Sept. 1, 2011	Sept. 1, 2012, 2013, 2014	25,678	€0.06	None
	July 16, 2013	June 30, 2013	8,559	€0.06	None
	March 18, 2014	June 7, 2015, 2017	170,213	€2.11	None
	May 15, 2015	March 8, 2016, 2017,2018	110,639	€2.11	None
	May 15, 2015	July 31, 2017	102,711	€0.06	None
	July 16, 2015	July 16, 2015	25,678	€0.06	None
	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	224,000	$7.17	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	476,000	$7.17	Dec. 20, 2024
Vinnemeiner	Mar. 6, 2017	Jan. 3, 2018, 2019, 2020	400,000	$12.14	Mar. 6, 2024
	Mar. 6, 2017	Jan. 2, 2019, 2020, 2021	168,000	$7.17	Mar. 6, 2024

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

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

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

in kEUR	**2017**	**2018**
Hefer	2,592	4,349
Thomas	1,741	1,698
Lehnert	1,645	811(1)
Schrömgens	1,261	986
Vinnemeier	1,184	430(1)
Siewert	1,174	421(1)

(1) Messrs. Lehnert, Siewert and Vinnemeier were not reappointed as members of the management board at our general meeting of shareholders that was held on June 8, 2018.

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 compensation committee and, with respect to senior management reporting to the CEO, in light of recommendations made by the CEO.

Related party transaction - supervisory board

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

($ in thousands)	**Kern**	**Mazzella**	**Mankodi[1]**	**Östberg**	**Schneider**
Periodically-paid remuneration	45	45	20	45	45
Bonuses	—	—	—	—	—
Profit Participation	—	—	—	—	—
Total cash compensation	45	45	20	45	45

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

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

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

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

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

The amount of compensation, including benefits in kind, accrued or paid to our supervisory board members with respect to the year ended December 31, 2017 is described in the tables below. Our supervisory board received the following cash compensation with respect to service in the fiscal year 2017 (Our supervisory board received no cash compensation with respect to service in the fiscal year 2016.):

(in kEUR)1	De Schepper	Dzielak	Kern	Mazella	Okerstrom	Östberg	Schneider
Amounts of periodically-paid remuneration	-	-	45	45	-	45	45
Bonuses	-	-	-	-	-	-	-
Profit Participation	-	-	-	-	-	-	-
Total cash compensation	-	-	45	45	-	45	45

[1] Dara Kosrowshahi resigned as Chairman of our supervisory board effective on September 15, 2017. We did not provide him with any compensation for his service on our supervisory board for the year ended December 31, 2017.

Our supervisory board held the following options (both vested and unvested) as of December 31, 2017:

Beneficiary	Grant date	Vesting date	Number of options outstanding[1]	Strike price	Expiration Date[2]
De Schepper	-	-	-	-	-
Dzielak	-	-	-	-	-
Kern	Mar. 6, 2017	Jan 3, 2018, 2019, 2020	74,135	$12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	125,520	$7.17	Dec. 20, 2024
Mazella	March 6, 2017	Jan 3, 2018, 2019, 2020	65,898	$12.14	Mar. 6, 2024
	December 20, 2017	Jan. 2, 2019, 2020, 2021	111,576	$7.17	Dec. 20, 2024
Okerstrom	-	-	-	-	-
Östberg	March 6, 2017	Jan 3, 2018, 2019, 2020	70,840	$12.14	Mar. 6, 2024
	December 20, 2017	Jan. 2, 2019, 2020, 2021	119,944	$7.14	Dec. 20, 2024
Schneider	March 6, 2017	Jan 3, 2018, 2019, 2020	70,840	$12.14	Mar. 6, 2024
	Dec. 20, 2017	Jan. 2, 2019, 2020, 2021	119,944	$7.17	Dec. 20, 2024

As of December 31, 2017, we have nothing set aside or accrued to provide pension, retirement or similar benefits to our supervisory board members. In the year 2017, none of our supervisory board member exercised any options in trivago N.V.

Compensation principles

Senior management

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

Employees

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

Our remuneration policy is designed to attract and retain employees, and reward them for achieving our goals and objectives as a business, and working productively together based on the "core values".

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

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

Short-term remuneration policy

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

Related party transaction - shareholder

Expedia Group Inc., the controlling shareholder, indirectly through it subsidiary ELPS, owns 59.6% of the shares. The Company and ELPS have entered into the Amended and Restated Shareholders' Agreement.

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

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

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

Agreements regarding the supervisory board

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

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

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

Agreements regarding the management board

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

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

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

Registration and other rights

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

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

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

Share transfer restrictions

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

Call and put rights

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

If the general meeting of shareholders resolves to remove a Founder as a management board member without reasonable cause or if the supervisory board revokes the title of chief executive officer from a Founder then serving as chief executive officer without either (i) reasonable cause or (ii) the consent of another Founder, and the Founder terminates his services as management board member within 30 days thereof, then, the Founder will have the right to sell, and ELPS will be obligated to buy, all, but not less than all, of such Founder's shares, at a price based on a volume-weighted average of the trading price of our Class A shares, unless a fact or circumstance exists which would be reasonably likely to result in the occurrence of any of the events in clauses (a) through (g) in the definition of reasonable cause set forth below. In such a case, no right to sell will be triggered by the removal of such management board member.

Reasonable cause for purposes of the Amended and Restated Shareholders' Agreement means, with respect to a management board member, the occurrence of any of the following: (a) the willful or gross neglect by the management board member of his or her fiduciary duties owed to the company or its subsidiaries; (b) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony (or equivalent) offense by the management board member; provided, that for purposes of this clause (b) if a management board member is removed following being formally accused or charged with the commission of such an offense, and such management board member subsequently is convicted of (or pleads guilty or nolo contendere to) such offense, there will be deemed to have been reasonable cause at the time of the removal; (c) a material breach (or breaches which, when aggregated with any prior breach or breaches, are material) by the management board member of his or her fiduciary duties owed to the company or any of its subsidiaries, or of the company's organizational documents; (d) a material breach by the management board member of any nondisclosure, non-solicitation, or non-competition obligation owed to the company or any of its subsidiaries; (e) a material failure (or failures which, when aggregated with any prior failure or failures, are material) to meet reasonable individual expectations in respect of his individual management duties in respect of the execution of his or her employment or duties as a management board member; (f) a material failure (or failures which, when

aggregated with any prior failure or failures, are material) by the company to perform pursuant to the annual business plan, except to the extent that the failure results from unforeseen circumstances and is responded to reasonably and appropriately by such management board member, and (g) any other fact or circumstance or action or inaction by such management board member, in each case constituting good cause under German law as interpreted by German courts.

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

IPO Structuring Agreement

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

Contribution Agreement

On August 21/22, 2017, the Founders, ELPS, trivago GmbH, trivago N.V. and certain other Expedia Group parties entered into a contribution agreement with respect to potential tax liability arising out of the cross-border merger, which we refer to as the contribution agreement. Following our IPO, we requested binding tax rulings from the German tax authorities regarding the tax neutrality to trivago GmbH, trivago N.V. and the Founders of the cross-border merger. Under the rulings, the German tax authorities have taken the opinion that trivago GmbH is liable for an immaterial tax amount. Under the contribution agreement, ELPS undertook, subject to the occurrence of a final, non-appealable and unchangeable tax assessment notice issued to us, to make an informal immaterial capital contribution (*informele kapitaalstorting*) on the Class B shares in cash in the amount of any (a) German Corporate Income Tax (*Körperschaftsteuer*), (b) German solidarity surcharge (*Solidaritätszuschlag*) thereon, and (c) German Trade Tax (*Gewerbesteuer*) that would not be made in exchange for any shares issued by us. In accordance with the terms and conditions of the contribution agreement, we and ELPS acknowledged that this contribution would be treated as share premium (*agio*) attached to the Class B shares and that the amount of this contribution would be attributed to our share premium reserve (*agioreserve*) attached to the Class B shares. The parties to the contribution agreement agreed that this contribution by ELPS shall be treated as a tax neutral shareholder contribution (*verdeckte Einlage*) at the trivago N.V. level for corporate tax purposes to the greatest extent possible. If and to the extent that German tax authorities challenge the neutral treatment of the contribution amount at the trivago N.V. level for corporate tax purposes, ELPS will contribute to us, in addition to the contribution amount referenced above, such additional amount as is necessary to ensure that the net amount actually received by us (after taking into account the payment by us of corporate taxes imposed on the contribution amount and any additional amounts payable to us pursuant the requiring payment of such additional amounts) that equals the full amount that we would have received had no such corporate taxes been imposed on the contribution amount.

Operating business

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

Guarantees

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

Service agreements

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

Services and Support Agreement

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

12. Capital Management

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

Capital management

		As of December 31,
in mEUR	**2018**	**2017**
Interest-bearing loans and borrowings	0,0	0,0
Less: Cash and cash equivalents	-161.9	-190.2
Net debt	**-161.9**	**-190.2**
Equity	252.6	251.3
Total capital	**252.6**	**251.3**
Capital and net debt	**90.7**	**61.1**

13. Auditors' Fees

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

Auditor's Fees

in mEUR	**2018**	**2017**
Audit fees*	2.9	4.0
Tax fees	0.0	0.0
Total	**2.9**	**4.0**

In 2017 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 (2017: 0.1 mEUR)

14. 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 562,987 Class A shares.

10. trivago N.V.
Company Financial Statements
as of December 31, 2018

Table of contents

Statement of Profit or Loss 125
Statement of Financial Position 125
Notes to the Financial Statements 127
Other information 137

trivago N.V.
Company Financial Statements
Statement of Profit or Loss
for the period from January 1, 2018 to December 31, 2018

in kEUR	Notes	2018	2017
Net income from affiliated companies after taxation	1	1,574	11,344
Other income and losses after taxation	2	(23,792)	(25,916)
Profit (loss) for the year after taxation		(22,218)	(14,572)

trivago N.V.

Company Financial Statements

Statement of Financial Position before appropriation of results as of December 31, 2018

in KEUR	Notes	12/31/2018	12/31/2017
Fixed assets			
Intangibles			
Intangible assets	3	8,761	7,120
Goodwill	3	3,434	3,360
Total intangibles		12,195	10,480
Tangible fixed assets	4	22,883	13,726
Financial fixed assets			
Participation in group companies	5	3,395	1,807
Other long term receivables	5	9,247	8,646
Deferred tax assets	5	5,326	4,329
Total financial fixed assets		17,968	14,782
Non-current assets		**53,046**	**38,988**
Trade receivables		52,319	40,332
Trade receivables, related parties		40,858	40,077
Income tax receivables		91	2,092
Other assets		10,290	20,759
Cash and cash equivalents	6	158,119	187,229
Current assets		**261,677**	**290,489**
Assets		**314,724**	**329,477**
Common stock A shares	7	2,554	1,855
Common stock B shares	7	185,213	191,879
Capital reserves	7	81,546	68,539
Legal reserves	7	5,522	3,639
Profit (loss) for the period	7	(22,218)	(14,572)
Total equity		**252,615**	**251,340**
Other liabilities		3,660	1,152
Non-current liabilities		**3,660**	**1,152**
Trade payables		33,442	50,800
Income tax liabilities		979	3,319
Other liabilities	8	24,028	22,865
Current liabilities		**58,450**	**76,985**
Equity and liabilities		**314,724**	**329,477**

Notes to the Company Financial Statements

General information & basis of preparation

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

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

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

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

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

Summary of significant accounting policies

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

Investment in subsidiaries

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

Investments in subsidiaries are accounted at equity method.

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

The merger of trivago GmbH with and into trivago N.V. in 2017 is accounted for as an equity transaction in trivago N.V. For a detailed description on the merger we refer to the 2017 consolidated financial statements. In the movement schedule in the paragraph 'Financial fixed assets' in the company only financial statements, the merger is reflected in the movement in the investments held by trivago N.V.. The subsidiaries priorly owned by trivago GmbH became direct subsidiaries of trivago N.V. with the merger. This is reflected in the movement schedule in the paragraph 'Financial fixed assets'.

Expected credit losses

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

Notes to the statement of Profit or Loss

1. Net income from affiliated companies after taxation

The net income 2018 from affiliated companies is determined as follows:

in kEUR	total
Net income other affiliated companies	1,574
Total	**1,574**

The net income 2017 from affiliated companies is determined as follows:

in kEUR	pre-merger	post-merger	total
Net income trivago GmbH	11,158	—	11,158
Net income other affiliated companies	—	186	186
Total	**11,158**	**186**	**11,344**

In the period pre-merger the holding company is trivago N.V. with sole subsidiary trivago GmbH. Therefore net income of trivago GmbH (net of minority interest) attributable to trivago N.V. is reported in this line item. Post-merger the income from the subsidiaries that were previously held by trivago GmbH, as disclosed in the 'Financial fixed assets' paragraph is recorded for as net income from affiliated companies.

2. Other income and losses after taxation

In 2017 this line includes the pre-merger expenses of trivago NV, which includes G&A expenses of 12.638 kEUR. Furthermore it includes the post-merger result of trivago NV of (13.179) 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 as of reporting date is included in the consolidated financial statements.

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

Notes to the statement of Financial Position

3. Intangible assets

Disclosures related to the nature of the intangible assets and further information is included in note "5.1 Intangible assets" in the consolidated accounts. Intangibles were accounted for in trivago GmbH and moved to trivago N.V. with the merger. The net carrying amount of all intangible assets at the date of merger amounts to 6.2mEUR, with historical costs of 11.7 mEUR and accumulated depreciation of (5.5) mEUR.

in kEUR	Other Intangibles	Capitalized Software	Total
Historical cost			
As of 01/01/2017	—	—	—
Addition from merger	—	11,715	11,715
Addition post merger	482	1,595	2,077
As of 12/31/2017	**482**	**13,310**	**13,792**
As of 01/01/2018	482	13,310	13,792
Addition	—	6,800	6,800
As of 12/31/2018	**482**	**20,109**	**20,591**
Accumulated depreciation			
As of 01/01/2017	—	—	—
Addition from merger	—	(5,499)	(5,499)
Addition post merger	(64)	(1,108)	(1,172)
As of 12/31/2017	**(64)**	**(6,607)**	**(6,671)**
As of 01/01/2018	(64)	(6,607)	(6,671)
Addition	(142)	(3,692)	(3,834)
Disposals	—	—	—
Impairments	—	(1,325)	(1,325)
As of 12/31/2018	**(206)**	**(11,624)**	**(11,830)**
Net carrying amount as of 1/1/2017	—	—	—
Net carrying amount as of 6/9/2017	—	6,216	6,216
Net carrying amount as of 31/12/2017	**418**	**6,702**	**7,120**
Net carrying amount as of 1/1/2018	**418**	**6,702**	**7,120**
Net carrying amount as of 31/12/2018	**276**	**8,485**	**8,761**

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

4. Property, plant, and equipment

Disclosures related to the nature of the intangible assets and further information is included in note '5.2 Property, plant and equipment' in the consolidated accounts. In 2017 property, plant and equipment were accounted for in trivago GmbH and moved to trivago N.V. with the merger. The net carrying amount of all property, plant and equipment at the date of merger amounts to 11.2 mEUR, with historical costs of 19.8 mEUR and accumulated depreciation of (8.5) mEUR.

in kEUR	Computer equipment	Furniture and fixtures	Office equipment	Leasehold improvements	Construction in progress	Total
Historical cost						
As of 01/01/2017	—	—	—	—	—	—
Additions acquired in merger	11,422	2,889	500	1,949	3,072	19,832
Additions post-merger	1,411	226	70	1,160	1,706	4,572
As of 12/31/2017	**12,833**	**3,115**	**569**	**3,108**	**4,778**	**24,404**
As of 01/01/2018	12,833	3,115	569	3,108	4,778	24,404
Additions	1,782	579	240	1,528	11,442	15,571
Disposals	(790)	(692)	(3)	(1,653)	—	(3,138)
Transfer	944	2,212	776	12,223	(16,155)	—
Exchange rate differences						—
As of 12/31/2018	**14,769**	**5,214**	**1,581**	**15,207**	**65**	**36,837**
Accumulated depreciation						
As of 01/01/2017	—	—	—	—	—	
Additions acquired in merger	(5,462)	(1,674)	(409)	(1,053)	—	(8,599)
Additions post-merger	(1,151)	(242)	—	(686)	—	(2,079)
As of 12/31/2017	**(6,613)**	**(1,916)**	**(409)**	**(1,739)**	**—**	**(10,678)**
As of 01/01/2018	(6,613)	(1,916)	(409)	(1,739)	—	(10,678)
Additions	(3,481)	(1,096)	(186)	(778)	—	(5,541)
Disposals	426	439	2	1,398		2,266
Transfer						—
Exchange rate differences						—
As of 12/31/2018	**(9,668)**	**(2,573)**	**(594)**	**(1,119)**	**—**	**(13,954)**
Net carrying amount as of 7/9/2017	**5,960**	**1,214**	**91**	**896**	**3,072**	**11,233**
Net carrying amount as of 12/31/2017	**6,220**	**1,198**	**160**	**1,369**	**4,778**	**13,726**
Net carrying amount as of 12/31/2018	**5,102**	**2,640**	**988**	**14,087**	**65**	**22,883**

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

5. Financial fixed assets

As of December 31, 2018 trivago holds the following direct and indirect participating interests in subsidiaries:

Name, location		Interest in %
Fully consolidated		
trivago Services B.V.	The Netherlands	100
trivago Spain S.L.U	Spain	100
Base7booking.com S.à.r.l. (in liquidation)	Switzerland	100
Base7Germany GmbH	Germany	100
TGO (Thailand) Ltd.*	Thailand	100
trivago Hong Kong Ltd.	Hong Kong	100
trivago (Shanghai) Information Consulting Co. Ltd.	China	100
trivago Hotel Relations GmbH	Germany	100
Tell Charlie B.V.	The Netherlands	100
trivago services US LLC	USA	100
trivago Hotel Relations Spain	Spain	100
Other participating interests		
Myhotelshop GmbH**	Germany	49
Myhotelshop Spain S.L.1***	Spain	49

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

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

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

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

Investments in subsidiaries 2017	
in kEUR	
At 1 January 2017	
Net book value	155,238
Movements in book value 2017:	
Other comprehensive income (net of tax)	(94)
Adjustment to the fair value of redeemable noncontrolling interests	(76)
Share-based compensation	5,522
Result for the period	11,159
Issued capital, options exercised	(2,038)
Subtotal, pre-merger investment valuation	169,709
Acquisition of NCI	73,645
Ending balance as of merger date	243,354
Merger of trivago GmbH into and with trivago N.V.	(243,354)
Accounting for subsidiaries per 7 September 2017 due to merger	1,355
Capital transactions	294
Results from subsidiaries post-merger	158
Investments, ending balance 31 December 2017	1,807
Opening balance 1 January 2018	1,807
Capital transactions	16
Results from subsidiaries	1,574
Investments, ending balance 31 December 2018	3,395

Other long term receivables	
in kEUR	
Opening balance 1 January 2017:	—
Additions various (obtained in merger of trivago GmbH into and with trivago N.V.)	8,646
Balance as of 31 December 2017:	8,646
Opening balance 1 January 2018:	8,646
Increase various	601
Balance as of 31 December 2018:	9,247

As of December 31, 2018 and as of December 31, 2017 there are no accumulated revaluations, depreciation or impairment charges related to investments of subsidiaries.

Deferred Tax Asset

in kEUR	
Opening balance 1 January 2017:	—
Additions	4,329
Balance as of 31December 2017:	4,329
Opening balance 1 January 2018:	4,329
Additions	997
Balance as of 31 December 2018:	5,326

6. Cash and cash equivalents

in kEUR	As of December 31, 2018	As of December 31, 2017
Cash at banks and on hand	158,119	187,229
Total	**158,119**	**187,229**

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

7. Equity

	Issued capital	Capital reserves	Legal reserves	Unappropriated results	Retained earnings	Total equity
January 1, 2017	**127,207**	**47,483**	**1,777**	**(1,309)**	**—**	**175,158**
Appropriation of prior year's result	—	—	—	1,309	(1,309)	—
Other comprehensive income (net of tax)	—	(94)	—	—	—	(94)
Adjustment to the fair value of redeemable noncontrolling interests	—	(76)	—	—	—	(76)
Share-based compensation expense GmbH level	—	5,522	—	—	—	5,522
Share-based compensation expense NV level	—	6,535	—	—	—	6,535
Net profit (loss)	—	—	—	(1,480)	—	(1,480)
Issued capital, GmbH merger	66,475	(66,475)	—	—	—	—
Issued capital, options exercised	52	(2,091)	—	—	—	(2,039)
Merger of trivago GmbH into and with trivago N.V.	—	73,646	—	—	—	73,646
Balance as of merger date:						—
Other comprehensive income (net of tax)	—	(63)	—	—	—	(63)
Adjustment to the fair value of redeemable noncontrolling interests	—	(38)	—	—	—	(38)
Transaction with parent	—	107	—	—	—	107
Share-based compensation expense	—	7,255	—	—	—	7,255
Transfer of reserves to legal reserve, due to internally developed software	—	(1,862)	1,862	—	—	—
Net profit (loss)		—	—	(13,092)	—	(13,092)
December 31, 2017	**193,734**	**69,848**	**3,639**	**(14,572)**	**(1,309)**	**251,340**
January 1, 2018	**193,734**	**69,849**	**3,639**	**(14,572)**	**(1,309)**	**251,340**
Restatement IFRS 9: ECL Calculation	—	—	—	—	25	25
January 1, 2018 restated	**193,734**	**69,849**	**3,639**	**(14,572)**	**(1,284)**	**251,365**
Appropriation of prior year's result	—	—	—	14,572	(14,572)	—
Other comprehensive income (net of tax)	—	91	—	—	—	91
Share-based compensation expense NV level	—	23,216	—	—	—	23,216
Conversion of Class B shares	(6,000)	6,000	—	—	—	—
Issued capital, options exercised	32	129	—	—	—	161
Transfer of reserves to legal reserve, due to internally developed software	—	(1,884)	1,884	—	—	—
Net profit (loss)	—	—	—	(22,218)	—	(22,218)
December 31, 2018	**187,767**	**97,402**	**5,522**	**(22,218)**	**(15,856)**	**252,615**

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

As of December 31, 2017, we had ADSs representing 30,916,474 Class A shares outstanding, 319,799,968 Class B shares outstanding. During the third quarter of 2017 the Founders exchanged their units in trivago GmbH for 110,791,880 Class B shares in trivago N.V. in connection with the merger of trivago GmbH with and into trivago N.V.

Class A and Class B common stock has a par value of €0.06 and €0.60, respectively. The holder of our Class B shares, ELPS and Founders, are entitled to ten votes per share, and holders of our Class A shares are entitled to one vote per share. All other terms and preferences of Class A and Class B common stock are the same.

Legal reserves
A legal reserve is included for internally developed capitalized software which is included in trivago N.V. as December 31, 2018.

Loss for the period
An unappropriated loss for the period of (22,218) kEUR exists as of December 31, 2018.

8. Other liabilities

Other liabilities in the amount of 24.028 kEUR (prior year: 22.865 kEUR) consist of both financial liabilities and non-financial liabilities and are specified in the table below.

Other financial liabilities

	12/31/2018	12/31/2017
in kEUR	**Current**	**Current**
Deposit	343	347
Liabilities to employees	513	340
Invoices to be received	4,418	10,094
Other	6,941	1,454
Total	**12,215**	**12,235**

Other non-financial liabilities

	12/31/2018	12/31/2017
in kEUR	**Current**	**Current**
Deferred income	7,917	8,686
Other taxes liabilities	2,284	1,066
Liabilities to employees	1,308	384
Other	304	494
Total	**11,813**	**10,630**
Total other liabilities	**24,028**	**22,865**

9. Auditors' Fees

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

10. 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 562,987 Class A shares.

Signature page to the Dutch statutory board report and financial statements of trivago N.V. for the fiscal year ended 31 December 2018.

Düsseldorf, Germany April 26, 2019.

Management Board

/s/ R.T.J. Schrömgens

/s/ A.P. Hefer

/s/ T.J. Thomas

Supervisory Board

/s/ R. Dzielak

/s/ D. Schneider

/s/ M.D. Okerstrom

/s/ L.N. Östberg

/s/ P.M. Kern

/s/ F.G. Mazzella

/s/ H. Mankodi

11. Other Information

11.1. Profit appropriation

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

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

We plan to add our loss to retained earnings.

11.2. Special rights of control under the Articles

As indicated in section 7 of the financial statements, the authorized share capital of the Company includes and the Company has issued class B shares, which are not listed and carry ten votes in the General Meeting each, whereas a class A shares (represented by the Nasdaq listed American Depositary Shares) carry only one vote in the General Meeting each. As at 31 December 2018, majority of class B shares were held by ELPS and the minority of class B shares was held by the founders.

As of December 31, 2018, Expedia Group’s ownership interest and voting interest in trivago N.V. is 59.5% and 66.8%, respectively, and the Founders had an ownership interest and voting interest of 28.4% and 31.9%, respectively.

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

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

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

11.4. Other establishments

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

12. Independent Auditors Report

EY

Building a better working world

Independent auditor's report

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

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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 2018, and of its result and its cash flows for the year 2018 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 2018, and of its result for the year 2018 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 2018
- The following statements for the year 2018: Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Loss, 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 before appropriation of results as at 31 December 2018
- The Company Statement of Profit or Loss for the year 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	€4,600,000 (2017: €5,200,000)
Benchmark applied	0,5% of revenue (2017: 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 statement.

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.

We agreed with the supervisory board that misstatements in excess of €230,000, 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.

As processes at trivago N.V. are centralized, we have applied a centralized audit approach. Our group audit mainly focused on the statutory entity trivago N.V. with its statutory seat in Amsterdam, the Netherlands, as the majority of the operations of the group take place within that entity. We have used the work of EY Germany when auditing trivago N.V.'s consolidated and company financial statements. We have assessed all audit procedures centrally for the accounts which were of most significance for our audit and are included in the section Key Audit Matters (Revenue, Share Based Compensation and Marketing accruals).

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

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.

The key audit matters are consistent with prior year.

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

EY Building a better working world

Risk	Our audit response	Key observations
Valuation of Share-based Compensation (Note 8)		
The Company has one Omnibus plan for share based compensation (SBC) schemes. During 2018, there were 5 million options granted in connection with the Omnibus Incentive Plan to employees of trivago with an IFRS 2 expense of €23.2 million. The fair value of the options accounted for is measured at the grant date using the Black-Scholes option pricing model. The valuation involves significant judgment in determining the fair value of the options. SBC is significant to our audit due to the significant judgment on estimates of the fair value and is therefore identified as a key audit matter.	We obtained an understanding of the SBC process. We performed detailed audit procedures including: testing option grants (in accordance with agreements), testing the valuation input assumptions, and performing an independent recalculation of the expense recognized during the year. 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 the Company. Additionally, we assessed the adequacy of the Company's disclosures included into Note 8 *Share-based payment Plans*.	We consider management's input assumptions used in the Black-Scholes option pricing model to determine the fair value of the option awards granted to be reasonable. We also assessed the recognition and classification of SBC expense recorded for new and existing awards during the year. Based on the audit procedures performed, we did not identify any material misstatements in the SBC recognized and conclude that the disclosures in Note 8 *Share-based payment Plans* are adequate.
Completeness and existence of marketing accruals related to TV advertising (Note 5.9)		
TV Marketing accruals amount to €8.2 million at 31 December 2018. Marketing accruals are estimated depending on the amount that is expected by management to be incurred for TV spots prior to invoice receipt. We focus our key audit matter only on TV marketing accruals as they require the most complex estimation compared to other marketing accruals.	Our audit procedures included, amongst others, obtaining an understanding of the accrual process and testing the effectiveness of the Company's internal controls around the identification and evaluation of marketing expenses, and the recording and continuous reassessment of the related accrued marketing expenses. Our procedures were primarily focused on the markets and vendors with more judgment involved in the estimation of the year-end accrual. We performed detailed audit testing of a risk-based sample of TV related	We consider management's estimation related to TV marketing accruals reasonable. Based on the audit procedures performed, we did not identify any material misstatements in the marketing accruals reported and conclude that the disclosures in Note 5.9 *Trade payables and other liabilities* are adequate.

Risk	Our audit response	Key observations
	accruals as of year-end, analytical procedures on TV related accruals, analysis of TV accruals and their utilization recognized, inspection of expected TV marketing credit notes based on the contractual rebates received from vendors and a search for unrecorded liabilities. We also assessed the adequacy of the disclosure relating to TV accruals as included in the other liabilities in Note 5.9 *Trade payables and other 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:

- The 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 as required by Part 9 of Book 2 of the Dutch Civil Code

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

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

Management is responsible for the preparation of the other information, including the Dutch Statutory Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by 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 engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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

Eindhoven, 26 April 2019

Ernst & Young Accountants LLP

Signed by P.J.A. Gabriëls