

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: **December 31, 2019**

Commission File No.: **1-36691**

Booking Holdings Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1528493

(I.R.S. Employer Identification Number)

800 Connecticut Avenue

Norwalk, Connecticut 06854

(address of principal executive offices)

Registrant's telephone number, including area code: **(203) 299-8000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol	Name of Each Exchange on which Registered:
Common Stock par value \$0.008 per share	BKNG	The NASDAQ Global Select Market
0.800% Senior Notes Due 2022	BKNG 22A	The NASDAQ Stock Market LLC
2.150% Senior Notes Due 2022	BKNG 22	The NASDAQ Stock Market LLC
2.375% Senior Notes Due 2024	BKNG 24	The NASDAQ Stock Market LLC
1.800% Senior Notes Due 2027	BKNG 27	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: **None.**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates of Booking Holdings Inc. at June 30, 2019 was approximately \$80.0 billion based upon the closing price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of common stock held by executive officers and directors of Booking Holdings Inc. on June 30, 2019 have been excluded because such persons may be deemed to be affiliates of Booking Holdings Inc. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of Booking Holdings Inc.'s common stock was 41,061,814 at February 19, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth in this Form 10-K, is incorporated herein by reference from Booking Holdings Inc.'s definitive proxy statement relating to its annual meeting of stockholders to be held on June 4, 2020, to be filed with the Securities and Exchange Commission within 120 days after the end of Booking Holdings Inc.'s fiscal year ended December 31, 2019.

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Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements. These forward-looking statements reflect our views regarding current expectations and projections about future events and conditions and are based on currently available information. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict, including the Risk Factors identified in Part I, Item 1A of this Annual Report; therefore, our actual results could differ materially from those expressed, implied or forecast in any such forward-looking statements. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the reports and documents we file or furnish from time to time with the Securities and Exchange Commission (the "SEC" or the "Commission"), particularly our quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. Business

Our mission is to make it easier for everyone to experience the world. We seek to empower people to cut through travel barriers, such as money, time, language and overwhelming options, so they can use our services to easily and confidently get where they want to go, stay where they want to stay, dine where they want to dine, pay how they want to pay and experience what they want to experience. We connect consumers wishing to make travel reservations with providers of travel services around the world through our online platforms. Through one or more of our brands, consumers can: book a broad array of accommodations (including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties); make a car rental reservation or arrange for an airport taxi; make a dinner reservation; or book a cruise, flight, vacation package, tour or activity. Consumers can also use our meta-search services to easily compare travel reservation information, such as airline ticket, hotel reservation and rental car reservation information, from hundreds of online travel platforms at once. In addition, we offer various other services to consumers and partners, such as certain travel-related insurance products and restaurant management services to restaurants.

We offer these services through six primary consumer-facing brands: Booking.com, KAYAK, priceline, agoda, Rentalcars.com and OpenTable. While historically our brands operated on a largely independent basis and many of them focused on a particular service (e.g., accommodation reservations) or geography, we are increasing the collaboration, cooperation and interdependency among our brands in our efforts to provide consumers with the best and most comprehensive services. We also seek to maximize the benefits of our scale by sharing resources and technological innovations, co-developing new services and coordinating activities in key markets among our brands. For example, Booking.com, the world's leading brand for booking online accommodation reservations (based on room nights booked), offers rental car and other ground transportation services, flights, restaurant reservations, tours and activities reservations and other services, many of which are supported by our other brands. Similarly, hotel reservations available through Booking.com are also generally available through agoda and priceline. The following table shows the key services offered to consumers by our primary brands:

	ACCOMODATIONS	GROUND TRANSPORTATION	FLIGHTS	RESTAURANTS	ACTIVITES	META SEARCH
Booking.com	✓	✓	✓	✓*	✓	
KAYAK						✓
priceline	✓	✓	✓			
agoda	✓	✓	✓		✓	
Rentalcars.com		✓				
OpenTable				✓		

* Available in select cities.

Our business is driven primarily by international results, which consist of the results of Booking.com, agoda and Rentalcars.com and the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using our services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com at a hotel in New York by a consumer in the United States is part of our international results. During the year ended December 31, 2019, our international business (the substantial majority of which is generated by Booking.com) represented approximately 90% of our consolidated revenues. A significant majority of our revenues, including a significant majority of our international revenues, is earned in connection with facilitating accommodation reservations. See Note 18 to the Consolidated Financial Statements for more geographic information.

Booking Holdings Inc. was formed as a Delaware limited liability company in 1997 and was converted into a Delaware corporation in July 1998. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BKNG." We refer to our company and all of our subsidiaries and brands collectively as "Booking Holdings," the "Company," "we," "our" or "us."

The Booking Holdings Business Model

We derive substantially all of our revenues from enabling consumers to make travel service reservations. We also earn revenues from credit card processing rebates and customer processing fees, advertising services, restaurant reservations and restaurant management services, and various other services, such as travel-related insurance.

For the year ended December 31, 2019, we had revenues of \$15.1 billion, which we classify as "agency" revenues, "merchant" revenues and "advertising and other" revenues.

- Agency revenues are derived from travel-related transactions where we do not facilitate payments from travelers for the services provided. We invoice the travel service providers for our commissions after travel is completed. Agency revenues consist almost entirely of travel reservation commissions.
- Merchant revenues are derived from travel-related transactions where we facilitate payments from travelers for the service provided, generally at the time of booking. Merchant revenues include travel reservation commissions and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with our merchant reservation services; credit card processing rebates and customer processing fees; and ancillary fees, including travel-related insurance revenues and certain global distribution system ("GDS") reservation booking fees. Substantially all merchant revenues are derived from transactions where travelers book accommodation reservations or rental car reservations.
- Advertising and other revenues are derived primarily from (a) revenues earned by KAYAK for sending referrals to online travel companies ("OTCs") and travel service providers and for advertising placements on its platforms and (b) revenues earned by OpenTable for its restaurant reservation services and subscription fees for restaurant management services.

The Booking Holdings Strategy

We aim to achieve our mission to make it easier for everyone to experience the world through global leadership in online travel and restaurant reservation and related services by striving to:

- provide consumers with the best choices and prices at any time, in any place, on any device;
- make it easy for people to find, book, pay for and experience their travel desires; and
- provide platforms, tools and insights to our business partners to help them be successful.

We focus on relentless innovation and execution and a commitment to serve both consumers and our travel service provider and restaurant partners with unmatched service and best-in-class digital technology. The global online travel and dining categories continue to grow as consumer purchasing shifts from traditional offline channels to interactive online channels, including mobile channels. Our strategy is to continue to participate broadly in this online growth by expanding our service offerings and markets. In particular, we seek to (a) leverage technology to provide consumers with the best experience, (b) partner with travel service providers and restaurants to our mutual benefit, (c) operate multiple brands that collaborate with each other, and (d) invest in profitable and sustainable growth.

- **Providing the best consumer experience.** We believe that offering consumers an outstanding online experience is essential for our future success. To accomplish this, we focus on providing consumers with: (a) intuitive, easy-to-use online travel and restaurant reservation and search services; (b) a continually increasing number, location and variety of accommodations, other travel offerings, restaurants and payment options through our services; (c) informative and useful content, such as pictures, accommodation and restaurant details and reviews; and (d) excellent customer service. Our goal is to make travel easy, frictionless and personal and to offer consumers the most trusted brands, the most personalized experience and the most extensive, varied and comprehensive travel service selection in every geography at the best prices. Further, we endeavor to provide excellent customer service in a variety of ways, including through our call centers and online platforms and the use of chatbots and other technologies, so that consumers can be confident that booking reservations through us will be a positive experience.

We are constantly innovating to grow our business by, among other things, providing a best-in-class user experience with intuitive, easy-to-use online platforms (i.e., websites and mobile apps) to ensure that we are meeting the needs of online consumers while aiming to exceed their expectations. As a result, our long-term strategy is to build a more integrated offering of multiple elements of travel, which we refer to as the "Connected Trip." We believe that through innovation and the utilization of emerging technologies such as artificial intelligence, the Connected Trip will simplify and improve all aspects of the travel experience, including: discovery, planning, booking, coordinating itineraries among travel service providers, automatic rescheduling/rebooking, etc. For example, if a traveler's flight is delayed, we envision that ultimately the Connected Trip will not only alert the traveler, but also automatically arrange for a late arrival at the hotel, change a dinner reservation and alert other diners, reschedule the airport transfer, find a later connecting flight, etc. We believe that such a system will benefit both the traveler and the travel service provider or restaurant, as well as provide a compelling and differentiated service offering for consumers.

- **Partnering with travel service providers, restaurants and OTCs.** We aim to establish mutually beneficial relationships with travel service providers and restaurants around the world. We believe that travel service providers and restaurants benefit from participating in our services by increasing their distribution channels, demand and inventory utilization in an efficient and cost-effective manner. Travel service providers and restaurants benefit from our well-known brands and online marketing efforts, expertise in offering an excellent consumer experience through our online platforms and ability to offer their inventory in markets and to consumers that the travel service provider or restaurant may otherwise be unable or unlikely to reach.

In addition, we have entered into commercial relationships with other OTCs, such as Didi (the leading ride hailing service in China) and Grab (the leading ride hailing company in Southeast Asia), whereby the customers of one company will have access to the services of the other. For example, through the Booking.com app, a Booking.com customer traveling in Southeast Asia can book a local ride arranged by Grab.

- **Operating multiple brands.** We employ a strategy of operating multiple brands, which we believe allows us the opportunity to offer our services in ways that appeal to different consumers, pursue different marketing and business strategies, encourage experimentation and innovation, provide different service offerings and focus on different markets. At the same time, we are increasing the collaboration, cooperation and interdependency among our brands in our efforts to provide consumers with the best and most comprehensive services. We intend to invest resources to support organic growth by all our brands, whether through increased marketing, geographic expansion, technological innovation or increased access to accommodations, rental cars, restaurants, airline tickets or other services.
- **Investing in profitable and sustainable growth.** We seek to offer online services that meet the needs and the expectations of consumers, travel service providers and restaurants and that we believe will result in long-term profitability and growth. We intend to accomplish this through continuous investment and innovation, growing our businesses in new and current markets, expanding our services and ensuring that we provide an appealing, intuitive and easy-to-use consumer experience. We have made significant investments in people, technology, marketing and expanded, new or additional services, such as increasing our extensive collection of accommodations including homes, apartments and other unique places to stay, expanded flight and ground transportation offerings and other offerings. We seek to maximize the benefits of our scale by sharing resources and technological innovations among our brands, co-developing new services and coordinating activities in key markets among our brands. We also regularly evaluate, and may pursue and consummate, potential strategic acquisitions, partnerships, joint ventures or investments, whether to expand our businesses into complementary areas, expand our current businesses, acquire innovative technology or for other reasons.

Service Offerings

Booking.com and Rentalcars.com. Booking.com is the world's leading brand for booking online accommodation reservations, based on room nights booked, with operations worldwide and headquarters in the Netherlands. At December 31, 2019, Booking.com offered accommodation reservation services for approximately 2,580,000 properties in over 230 countries and territories and in over 40 languages, consisting of approximately 460,000 hotels, motels and resorts and approximately 2,120,000 homes, apartments and other unique places to stay.

Booking.com has expanded its offerings to better help consumers experience the world. For example, Booking.com offers in-destination tours and activities in more than 200 cities around the world, as well as flight, rental car and restaurant reservation services. Rentalcars.com is operated as part of Booking.com and offers online rental car reservation services and allows consumers to make rental car reservations in over 60,000 locations throughout the world, with customer support in over 40 languages. Booking.com and Rentalcars.com also offer pre-booked taxi and black car services at over 850 airports throughout the world.

KAYAK. KAYAK, headquartered in Stamford, Connecticut, provides an online price comparison service (often referred to as "meta-search") that allows consumers to easily search and compare travel itineraries and prices, including airline ticket, accommodation reservation and rental car reservation information, from hundreds of travel websites at once. KAYAK offers its services in over 60 countries, with the United States being its largest market, through various websites, including Momondo, Cheapflights and HotelsCombined.

Priceline. Priceline is a leader in the discount travel reservation business and offers online travel reservation services primarily in North America and is headquartered in Norwalk, Connecticut. Priceline offers consumers hotel, rental car and airline ticket reservation services, as well as vacation packages and cruises.

Agoda. Agoda is a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region, with headquarters in Singapore and operations in Bangkok, Thailand and elsewhere. Agoda also offers flight, ground transportation reservation services and activities.

OpenTable. OpenTable is a leading brand for booking online restaurant reservations. With significant operations in San Francisco, California, OpenTable provides online restaurant reservation services to consumers and reservation management services to restaurants. OpenTable does business primarily in the United States, though it continues to invest in expanding its international offerings.

Marketing and Brand Awareness

We have established widely used and recognized e-commerce brands through marketing and promotional campaigns. Both our performance and brand marketing expenses have increased significantly in recent years, and we intend to continue a strategy of promoting brand awareness through both performance and brand marketing efforts, including by expanding brand campaigns into additional markets, which may significantly increase our brand marketing expenses.

Competition

We compete globally with both online and traditional travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market and has grown rapidly in this area, including by offering a flight meta-search product ("Google Flights"), a hotel meta-search product ("Google Hotel Ads"), a vacation rental meta-search product, its "Book on Google" reservation functionality, Google Travel, a planning tool that aggregates its flight, hotel and packages products in one website and by integrating its hotel meta-search product into its Google Maps app. Google has also integrated restaurant information and reservations into the Google Maps app. In addition, Amazon has previously experimented with online travel, and has recently partnered with Booking.com to provide travel deals to Prime users in certain countries and with an OTC in India to offer domestic flights through Amazon Pay.

We currently, or may in the future, compete with a variety of companies, including:

- online travel reservation services;
- large online companies, including search, social networking and marketplace companies;
- traditional travel agencies, travel management companies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services;
- travel service providers such as accommodation providers, rental car or car- or ride-sharing companies and airlines, many of which have their own branded online platforms to which they drive business;
- online travel search and price comparison services (generally referred to as "meta-search" services);
- online restaurant reservation services; and
- companies offering technology services and software solutions to travel service providers.

For more information regarding current and potential competitors and the competitive nature of the markets in which we operate, please see Part I, Item 1A, Risk Factors - "*Intense competition could reduce our market share and harm our financial performance.*" in this Annual Report on Form 10-K.

Operations and Technology

Our business is supported by multiple systems and platforms, which were designed with an emphasis on scalability, performance, reliability, redundancy and security. These systems and platforms are generally independent among our brands, though some have become increasingly connected or shared. Our software systems, platforms and architecture use a variety of widely-used software tools and database systems.

These internal systems and platforms are designed to include open application protocol interfaces that can provide connectivity to vendors in the industries in which we operate. These include large global systems, such as accommodation, airline ticket and rental car reservation systems and financial service providers, as well as individual accommodation service providers, such as independent hotels. Our applications utilize digital certificates to help us conduct secure communications and transactions, as appropriate. The systems infrastructure and web and database servers of our worldwide operations are primarily hosted in the United Kingdom, Switzerland, the Netherlands, Germany, Singapore, Hong Kong and four locations in the United States, each of which provides network connectivity, networking infrastructure and 24-hour monitoring and engineering support typical of hosted data centers. All data center facilities have a continuous power supply system, generators, redundant servers and multiple back-up systems. Although we take steps to mitigate the effects of any loss or reduction in service at one of our hosting facilities, if a hosting facility were inaccessible or otherwise experienced a disruption in service for any reason, we could experience a disruption to our services, loss of transactions and revenue and consumer complaints.

We provide customer service through a mix of in-house call centers and outsourced third-party services.

Intellectual Property

Over time and through acquisitions, we have assembled a portfolio of patents, trademarks, service marks, copyrights, domain names and trade secrets covering our services. We regard the protection of our intellectual property as important to our success. We protect our intellectual property rights by relying on national, federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures, regulations, conventions and treaties. We also rely on contractual restrictions to protect our proprietary rights in our services. We enter into confidentiality and invention assignment agreements with employees and contractors and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information. We also have procured various intellectual property licenses from third parties. See Part I, Item 1A, Risk Factors - "*We face risks related to our intellectual property.*"

Seasonality

The majority of our gross bookings are generated in the first half of the year, as consumers plan and reserve their spring and summer vacations in Europe and North America. However, we generally recognize revenue from these bookings

when the travel begins (at "check-in"), which can be in a quarter other than when the associated reservations are booked. In contrast, we expense the substantial majority of our marketing activities as the expense is incurred, which, in the case of performance marketing in particular, is typically in the quarter in which associated reservations are booked. As a result of this potential timing difference between when we record marketing expense and when we recognize associated revenue, we experience our highest levels of profitability in the third quarter of the year, which is when we experience the highest levels of accommodation check-ins for the year for our European and North American businesses. The first quarter of the year is typically our lowest level of profitability and may experience additional volatility in earnings growth rates due to these seasonal timing factors. For our Asia-Pacific business, we experience the highest level of accommodation check-ins in the fourth quarter. As the relative growth rates for our businesses fluctuate, the quarterly distribution of our operating results may vary. For additional information regarding factors affecting the seasonality of our business, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Seasonality.

Employees

At December 31, 2019, we employed approximately 26,400 employees, of which approximately 4,300 were based in the United States and approximately 22,100 were based outside the United States. We also retain independent contractors to support our customer service, website content translation and system support functions.

We have never had a work stoppage and we consider our relations with our employees to be good. Although we have works councils or employee representatives in certain countries, our U.S. employees are not represented by a labor union and are not covered by a collective bargaining agreement. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial employees, for whom competition is intense. See Part I, Item 1A, Risk Factors - *"We rely on the performance of highly skilled employees; and, if we are unable to retain or motivate key employees or hire, retain and motivate qualified employees, our business would be harmed."*

Company Websites

We maintain websites with the addresses www.bookingholdings.com, www.booking.com, www.priceline.com, www.kayak.com, www.agoda.com, www.rentalcars.com and www.opentable.com, among others. We are not including the information contained on our websites as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through the www.bookingholdings.com website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. These reports and other information are also available, free of charge, at www.sec.gov. In addition, the Company's Code of Conduct is available through the www.bookingholdings.com website and any amendments to or waivers of the Code of Conduct will be disclosed on that website.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Declines or disruptions in the travel industry could adversely affect our business and financial performance.

Our financial results and prospects are almost entirely dependent upon the sale of travel services. Travel, including accommodation (including hotels, motels, resorts, homes, apartments and other unique places to stay), rental car and airline ticket reservations, is significantly dependent on discretionary spending levels. As a result, sales of travel services tend to decline during general economic downturns and recessions and times of political or economic uncertainty as consumers engage in less discretionary spending, are concerned about unemployment or inflation, have reduced access to credit or experience other concerns or effects that reduce their ability or willingness to travel.

Perceived or actual adverse economic conditions, including slow, slowing or negative economic growth, high or rising unemployment rates, inflation and weakening currencies, and concerns over government responses such as higher taxes or tariffs, increased interest rates and reduced government spending, could impair consumer spending and adversely affect travel demand.

Political uncertainty, conditions or events, such as the United Kingdom's transition out of the European Union ("Brexit"), including uncertainty in the implementation of Brexit and other political concerns, can also negatively affect consumer spending and adversely affect travel demand. At times, we experience volatility in transaction growth rates, increased cancellation rates and weaker trends in accommodation average daily rates ("ADRs") across many regions of the world, particularly in those countries that appear to be most affected by economic and political uncertainties, which we believe are due at least in part to these macro-economic conditions and concerns. Economic or political disruptions could cause, contribute to or be indicative of deteriorating macro-economic conditions, which in turn could negatively affect travel to or from such countries or the travel industry in general and therefore have an adverse impact on our results of operations. While lower occupancy rates have historically resulted in accommodation providers increasing their distribution of accommodation reservations through third-party intermediaries such as us, our remuneration for accommodation reservation transactions changes proportionately with price, and therefore, lower ADRs generally have a negative effect on our accommodation reservation business and on our revenues and results of operations.

These and other macro-economic uncertainties, such as oil prices, geopolitical tensions and differing central bank monetary policies, have led to significant volatility in the exchange rates between the U.S. Dollar and the Euro, the British Pound Sterling and other currencies. Significant fluctuations in foreign currency exchange rates, stock markets and oil prices can also impact consumer travel behavior. For example, although lower oil prices may lead to increased travel activity as consumers have more discretionary funds and airline fares decrease, declines in oil prices may be indicative of broader macro-economic weakness, which in turn could negatively affect the travel industry, our business and results of operations. Conversely, higher oil prices may result in higher airfares and decreased travel activity, which can negatively affect our business and results of operations.

Since the United Kingdom's Brexit vote in 2016, global markets and foreign currency exchange rates have experienced increased volatility, including a decline in the value of the British Pound Sterling as compared to the U.S. Dollar. Although the United Kingdom has formally left the European Union, many uncertainties remain in the transition period during which the United Kingdom will negotiate its future relationship with the European Union and other nations. After finalization of the transition period of the United Kingdom's exit from the European Union, among other things, the United Kingdom could lose access to the single European Union market and travel between the United Kingdom and European Union countries could be restricted. We could face new regulatory costs and challenges if U.K. regulations and policies diverge from those of the European Union or if additional business licenses are required. Since the terms of the United Kingdom's exit from the European Union and/or the European Economic Area are uncertain, we are unable to predict the effect Brexit will have on our business and results of operations.

The uncertainty of macro-economic factors and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

In addition, events beyond our control, such as oil prices, stock market volatility, terrorist attacks, unusual or extreme weather or natural disasters such as earthquakes, hurricanes, tsunamis, floods, fires, droughts and volcanic eruptions, travel-related health concerns including pandemics and epidemics such as coronaviruses, Ebola and Zika, political instability, changes in economic conditions, wars and regional hostilities, imposition of taxes, tariffs or surcharges by regulatory authorities, changes in trade policies or trade disputes, changes in immigration policies, travel-related accidents or increased focus on the environmental impact of travel, have previously and may in the future disrupt travel, limit the ability or willingness of travelers to visit certain locations or otherwise result in declines in travel demand and adversely affect our business and results of operations. Because these events or concerns, and the full impact of their effects, are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers, and therefore demand for our services and our relationships with travel service providers and other partners, any of which can adversely affect our business and results of operations. Certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including by restricting access to city centers or popular tourist destinations or limiting accommodation offerings in surrounding areas, such as by restricting construction of new hotels or the renting of homes or apartments. Such regulations could adversely affect travel to, or our ability to offer accommodations in, such markets, which could negatively impact our business, growth and results of operations. The United States has implemented or proposed, or is considering, various travel restrictions and actions that could affect U.S. trade policy or practices, which could also adversely affect travel to or from the United States.

As a result of the recent coronavirus outbreak originating in China, we began in January 2020 to experience, and continue to experience, a significant decline in travel demand and increase in customer cancellations predominantly related to travel to, from or in China and certain other Asian markets, though concerns about the coronavirus are also negatively impacting travel demand (and therefore our business) generally. Some countries have implemented travel bans or restrictions and some airlines have suspended or limited flights to or from China. We are working with our travelers and travel service provider partners to address cancellations, requests for refunds, rebookings and similar matters. In addition, like many other companies, we have instructed or allowed employees in high-risk areas to work from home or not report to work, which, especially if this persists for a prolonged period of time, may have an adverse impact on our employees, ability to service travelers, operations and systems. The ultimate extent of the coronavirus outbreak and its impact on travel in currently affected countries or more broadly is unknown and impossible to predict with certainty. As a result, the full extent to which the coronavirus will impact our business and results of operations is unknown. However, decreased travel demand resulting from the outbreak has had a negative impact, and is likely to have a negative and material impact, on our business, growth and results of operations. In addition, we may incur additional customer service costs in connection with servicing travelers affected by the outbreak, which would also have a negative impact on our results of operations.

Intense competition could reduce our market share and harm our financial performance.

We compete globally with both online and traditional travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market and has grown rapidly in this area, including by offering a flight meta-search product ("Google Flights"), a hotel meta-search product ("Google Hotel Ads"), a vacation rental meta-search product, its "Book on Google" reservation functionality, Google Travel, a planning tool that aggregates its flight, hotel and packages products in one website and by integrating its hotel meta-search products into its Google Maps app. Google has also integrated restaurant information and reservations into the Google Maps app. In addition, Amazon has previously experimented with online travel, and has recently partnered with Booking.com to provide travel deals to Prime users in certain countries and with an OTC in India to offer domestic flights through Amazon Pay.

We currently, or may in the future, compete with a variety of companies, including:

- online travel reservation services such as Expedia, Hotels.com, Hotwire, Orbitz, Travelocity, Wotif, Cheaptickets, ebookers, HotelClub, RatesToGo and CarRentals.com, which are owned by Expedia Group, Traveloka (in which Expedia Group holds a minority interest) and Despegar/Decolar (in which Expedia Group holds a minority interest); Trip.com Group (in which we hold a small minority interest), Trip.com (which is owned by Trip.com Group), Tongcheng-eLong (in which Trip.com Group holds a significant minority interest), ezTravel (in which Trip.com Group holds a majority interest) and MakeMyTrip (in which Trip.com Group holds a significant minority interest); Hotel Reservation Service (HRS) and hotel.de, which are owned by Hotel Reservation Service; and AutoEurope,

CarTrawler, Meituan Dianping (in which we hold a small minority interest), Rakuten, Jalan (which is owned by Recruit), Fliggy (which is owned by Alibaba), HotelTonight (which is owned by Airbnb), CheapOair and eDreams ODIGEO;

- online accommodation search and/or reservation services that are currently focused primarily on alternative accommodations, including individually owned properties such as homes and apartments, such as Airbnb, Vrbo (which is owned by Expedia Group), Tujia (in which Trip.com Group and Expedia Group hold investments) and Xiaozhu;
- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Tencent, Amazon and Baidu;
- traditional travel agencies, travel management companies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services, such as Carlson Wagonlit, American Express, BCD Travel, Egencia and Expedia Partner Solutions (which are owned by Expedia Group), Concur (which is owned by SAP), TUI, Webjet and Hotelbeds Group, as well as thousands of individual travel agencies around the world;
- travel service providers such as accommodation providers, rental car companies and airlines, many of which have their own branded online platforms to which they drive business, including large hotel chains such as Marriott International, Hilton and Intercontinental Hotel Group and emerging hotel chains such as OYO Rooms, as well as joint efforts by travel service providers such as Room Key, an online hotel reservation service owned by several major hotel companies;
- online travel search and price comparison services (generally referred to as "meta-search" services), such as Google Flights, Google Hotel Ads, Google's vacation rental meta-search product, TripAdvisor, trivago (in which Expedia Group holds a majority interest), Qunar (which is controlled by Trip.com Group) and Skyscanner (which is owned by Trip.com Group);
- online restaurant reservation services, such as LaFourchette and Bookatable (which are owned by TripAdvisor), SeatMe (which is owned by Yelp), Zomato, Quandoo (which is owned by Recruit) and Resy (which is owned by American Express);
- companies offering new rental car business models or car- or ride-sharing services that affect demand for rental cars, some of which have developed innovative technologies to improve efficiency of point-to-point transportation and extensively utilize mobile platforms, such as Uber, Lyft, Gett, Zipcar (which is owned by Avis), Turo, BlaBlaCar, Didi Chuxing (in which we hold a small minority interest), Grab (in which we hold a small minority interest), Go-Jek and Ola; and
- companies offering technology services and software solutions to travel service providers, including large global distribution systems ("GDSs"), such as Amadeus, Sabre and Travelport, and hospitality software platforms, such as Oracle and Shiji.

Google, the world's largest search engine and one of the world's largest companies and other large, established companies with substantial resources and expertise in developing online commerce and facilitating internet traffic offer travel or travel-related search, meta-search and/or reservation booking services and may create additional inroads into online travel. Google's travel meta-search services, Google Hotel Ads and Google Flights, have grown rapidly and have achieved significant market share in a relatively short time. Meta-search services leverage their search technology to aggregate travel search results for the consumer's specific itinerary across travel service providers (e.g., accommodations, rental car companies or airlines), online travel companies ("OTC") and other online platforms and, in many instances, compete directly with us for customers. Meta-search services intend to appeal to consumers by showing broader travel search results than may be available through OTCs or other online platforms, which could lead to travel service providers or others gaining a larger share of search traffic. Google leverages its general search business to promote its meta-search offerings by showing meta-search results at the top of its organic search results. Further, TripAdvisor and trivago, two other leading meta-search companies, support their meta-search services with significant brand and performance marketing. Through our KAYAK meta-search service, we compete directly with these and other meta-search services. If we are unable to effectively compete with these companies, our business and results of operations could be harmed.

Consumers may favor travel services offered by meta-search platforms or search companies over OTCs, which could reduce traffic to our travel reservation platforms, increase consumer awareness of our competitors' brands and services and

increase our marketing and other customer acquisition costs. To the extent any such consumer behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in revenues from our KAYAK meta-search business to offset any related decrease in revenues or increase in marketing and other customer acquisition costs experienced by our OTC brands. Further, meta-search services may evolve into more traditional OTCs by offering consumers the ability to make travel reservations directly through their platforms. For example, TripAdvisor allows consumers to make a reservation at some accommodations while staying on TripAdvisor through its "Instant Booking" offering, which includes participation by many of the leading global hotel chains. Google also provides reservation services through "Book on Google." To the extent we participate in any such offerings provided by meta-search services, resulting reservations could be less profitable and could cannibalize business that would otherwise come directly to us or through other more profitable channels. If consumers book travel services through a service such as TripAdvisor's Instant Booking, Google's "Book on Google," a meta-search website or directly with a travel service provider after visiting a meta-search platform or using a meta-search utility on a traditional search engine without using an OTC like us, or if meta-search services limit our participation within their search results or evolve into more traditional OTCs, we may need to increase our marketing or other customer acquisition costs to maintain or grow our reservation bookings and our business and results of operations could be adversely affected.

Over the years, there has been a proliferation of new channels through which accommodation providers can offer reservations as the market for travel services has evolved. For example, companies such as Airbnb and Expedia Group offer services providing alternative accommodation property owners, particularly individuals, an online place to list their accommodations where travelers can search and book such properties and compete directly with our alternative accommodation services. In addition, Airbnb, which owns HotelTonight, offers some hotel reservations through its online platforms. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its platform. New travel-related services are frequently being introduced to the market. For example, in 2019, Google launched Google Travel, which combines its hotel, flight and packages offerings into one website with trip-planning tools. Some of our competitors and potential competitors offer a variety of online services, such as food delivery, shopping, gaming or search services, many of which are used by consumers more frequently than online travel services. As a result, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost-effectively acquire customers for its online travel services than we can. For example, some competitors or potential competitors with more frequent online interactions with consumers are seeking to create "super-apps" where consumers can use many online services without leaving that company's app, in particular in markets such as Asia where online activity (including e-commerce) is conducted primarily through apps on mobile devices. If any of these platforms are successful in offering new travel-related services or services similar to ours to consumers who would otherwise use our platforms or if we are unable to offer our services to consumers within these super-apps, our customer acquisition efforts could be less effective and our customer acquisition costs, including our brand and performance marketing expenses, could increase, either of which would harm our business and results of operations.

Although we believe that providing an extensive collection of properties, excellent customer service and an intuitive, easy-to-use consumer experience are important factors influencing a consumer's decision to make a reservation, for many consumers, particularly in certain markets, the price of the travel service is the primary factor determining whether a consumer will book a reservation. As a result, it is increasingly important to offer travel services, such as accommodation reservations, at competitive prices, whether through discounts, coupons, closed-user group rates or loyalty programs, or otherwise. Discounting and couponing coupled with a high degree of consumer shopping behavior is particularly common in Asian markets. In some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order to gain market share. As a result, in certain markets we may need to provide discounts or other incentives in order to be competitive, which may make it difficult for us to maintain or grow market share and to maintain historical profit margins. These initiatives may also result in lower ADRs and lower revenues as a percentage of gross bookings. As part of our strategy to provide more payment options to consumers and travel service providers, Booking.com is increasingly processing transactions on a merchant basis, where it facilitates payments on behalf of customers. This allows Booking.com to present consumers with more pricing options. If we are unable to effectively offer competitive prices, our market share, business and results of operations could be materially adversely affected.

Travel service providers, including hotel chains, rental car companies and airlines with which we conduct business, compete with us in online channels to drive consumers to their own platforms in lieu of third-party distributors such as us. Travel service providers may charge lower prices and, in some instances, offer advantages such as loyalty points or special discounts to members of closed-user groups (such as loyalty program participants or consumers with registered accounts), any of which could make their offerings more attractive to consumers than our services. For example, many large hotel chains have instituted additional initiatives, such as increased discounting and incentives, to encourage consumers to book accommodations directly through their online platforms. We also offer various incentives to consumers and may need to offer additional or increased advantages to maintain or grow our reservation bookings, which adversely impacts our profit margins. Further,

consolidation among travel service providers, such as Marriott International's acquisition of Starwood Hotels & Resorts in 2017, could result in lower rates of commission paid to OTCs, increased discounting and greater incentives for consumers to join closed-user groups as such travel service providers expand their offerings. If we are not as effective as our competitors (including hotel chains) in offering discounted prices and other incentives to consumers, our ability to grow and compete and our results of operations could be harmed.

We are exposed to fluctuations in foreign currency exchange rates.

We conduct a substantial majority of our business outside the United States but we report our results in U.S. Dollars. As a result, we face exposure to movements in foreign currency exchange rates as the financial results of our international businesses are translated from local currency (principally Euros and British Pounds Sterling) into U.S. Dollars. When the U.S. Dollar strengthens against other currencies in which we transact, as it generally did in 2015, our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income are lower as expressed in U.S. Dollars. When the U.S. Dollar weakens against other currencies in which we transact, as it generally did in 2017 and 2018, our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income are higher as expressed in U.S. Dollars. Foreign currency exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in our financial results.

Recent years have seen significant volatility in the exchange rate between the Euro, the British Pound Sterling, the U.S. Dollar and other currencies. Significant fluctuations in foreign currency exchange rates can affect consumer travel behavior. For example, the strengthening of the U.S. Dollar relative to the Euro in 2015 made it more expensive for Europeans to travel to the United States. Consumers traveling from a country whose currency has weakened against other currencies may book lower ADR accommodations, choose to shorten or cancel their international travel plans or choose to travel domestically rather than internationally, any of which could adversely affect our gross bookings, revenues and results of operations, in particular when expressed in U.S. Dollars.

Volatility in foreign currency exchange rates and its impact on consumer behavior, which may differ across regions, make it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn makes it more difficult to manage our business and forecast our financial and operational performance.

We face risks related to the growth rate and the global expansion of our business.

We derive a substantial portion of our revenues, and have significant operations, outside the United States. Our international businesses include our Netherlands-based OTC brand Booking.com (including Rentalcars.com, based in the United Kingdom), our Asia-based OTC brand agoda and, to a lesser extent, KAYAK's international meta-search services and OpenTable's international restaurant reservation business. Our international OTC operations have historically achieved significant year-over-year growth in their gross bookings, in particular with respect to their accommodation reservation services. These growth rates, which have contributed significantly to our growth in consolidated revenues and earnings, have generally declined over time as the absolute level of our gross bookings increased and online travel growth rates have declined. Other factors may also slow the growth rates of our international businesses, including, for example, worldwide or regional economic conditions, strengthening of the U.S. Dollar versus the Euro, the British Pound Sterling and other currencies, declines in ADRs, increases in cancellations, adverse changes in travel market conditions and the competitiveness of the market. Any decline in the growth rates of our international businesses would have a negative impact on our revenue and earnings growth rates and, as a consequence, our stock price.

Our strategy involves continued expansion throughout the world. Many regions have different economic conditions, customs, languages, currencies, consumer expectations, levels of consumer acceptance and use of online platforms for commerce, legislation, regulatory environments (including labor laws and customs), tax laws and levels of political stability, and we are subject to associated risks typical of international businesses. International markets may have strong local competitors with an established brand and travel service provider or restaurant relationships that may make expansion in that market difficult or costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. In some markets such as China, legal and other regulatory requirements may prohibit or limit participation by foreign businesses, such as by making foreign ownership or management of internet or travel-related businesses illegal or difficult, or may make direct participation in those markets uneconomic, which could make our entry into and expansion in those markets difficult or impossible, require that we work with a local partner or result in higher operating costs. Certain markets in which we operate that are in earlier stages of development have lower operating margins compared to more mature markets, which could have a negative impact on our overall profit margins as these markets increase in size over time. If we are unsuccessful in expanding in new and existing markets and effectively managing that expansion, our business and results of operations could be adversely affected.

Although we intend to continue to invest in adding accommodations available for reservation on our platforms, such as hotels, motels, resorts, homes, apartments and other unique places to stay, the growth rate of our accommodations may vary in part as a result of removing accommodations from our platforms from time to time. Many of the newer accommodations we add to our travel reservation services, especially in highly-penetrated markets, may have fewer rooms or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts). Because alternative accommodations are often either a single unit or a small collection of independent units, these properties generally represent more limited booking opportunities than hotels, motels and resorts, which generally have more units to rent per property. Further, alternative accommodations in general may be subject to increased seasonality due to local tourism seasons, weather or other factors or may not be available at peak times due to use by the property owners. We also experience lower profit margins with respect to alternative accommodation properties due to certain additional costs related to offering these accommodations on our platforms. As we increase our alternative accommodation business, these different characteristics negatively impact our profit margins; and, to the extent these properties represent an increasing percentage of the properties added to our platforms, we expect that our room-night growth rate and property growth rate will continue to diverge over time (since each such alternative accommodation property has fewer booking opportunities). As a result of the foregoing, as the percentage of alternative accommodation properties increases, the number of reservations per property will likely continue to decrease.

In addition, as our alternative accommodation reservation business grows, we may incur increasing numbers of complaints related to non-existent properties or properties that are significantly different than as described in the listing, as well as claims of liability based on events occurring at such properties such as robbery, injury, death and other similar events. Such complaints or claims could result in negative publicity and increased costs, which could adversely affect our reputation, business and results of operations. Further, the regulatory environment related to some alternative accommodations such as homes and apartments is evolving, and laws, regulations or property association rules could impose restrictions or burdens on these property owners and managers that limit or negatively affect their ability to rent their properties. Some jurisdictions have adopted or are considering statutes or ordinances that prohibit owners and managers from renting certain properties for fewer than a stated number of consecutive days or for more than an aggregate total number of days per year or that require owners or managers to obtain a license to rent their properties. In addition, several jurisdictions have adopted or are considering adopting statutes or ordinances requiring online platforms that list certain alternative accommodations to obtain a license to list such accommodations and/or to comply with other restrictions or requirements. This dynamic regulatory environment requires us to expend significant time and resources and could negatively impact the growth and/or size of our alternative accommodation reservation business.

We believe that the increase in the number and variety of accommodation providers that participate on our platforms, and the corresponding access to accommodation room nights, has been a key driver of the growth of our accommodation reservation business. The breadth of our accommodation bookings typically makes us an attractive source of consumer demand for our accommodation providers. However, accommodation providers may wish to limit the amount of business that flows through a single distribution channel. Also, certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including by restricting accommodation offerings in city centers or near popular tourist destinations, such as by restricting construction of new hotels or the renting of homes or apartments. Such restrictions could also include limiting the number of tourists permitted to visit and stay near popular areas during peak seasons or as a general matter. As a result, we may experience constraints on the number of listings, or accommodation room nights, actually available to us, which could negatively impact our business growth rate and results of operations.

The number of our employees worldwide has grown from approximately 9,500 at December 31, 2013 to approximately 26,400 at December 31, 2019, which growth is mostly comprised of hires by our international operations. The growth of our operations may make it more difficult to hire, train, retain, motivate and manage the required employees. Historically, our brands operated on a largely independent basis and many of them focused on particular services or geographies. As we look to develop the Connected Trip, we are increasing the collaboration, cooperation and interdependency among our brands. As we manage this shift, in addition to managing organic growth and growth through acquisitions, we may find it difficult to maintain the beneficial aspects of our corporate culture at the brand companies and throughout the organization as a whole. In addition, expansion increases the complexity of our business and places additional strain on our management, operations, technical performance, financial resources and administrative, legal, tax, internal control and financial reporting functions. Our current and planned employees, systems, procedures and controls may not be adequate to support and effectively manage this growth and increased complexity, especially as we employ employees in multiple geographic locations around the world and increase the number and variety of our products and payment systems. The implementation of new information technology, payment, enterprise resource planning (ERP) or other systems could be disruptive and/or costly or we may experience difficulty successfully integrating new systems into existing systems or migrating to new systems from existing systems, any of which could adversely affect our business and results of operations.

We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business.

We believe that maintaining and strengthening our brands are important aspects of our efforts to attract and retain customers. We have invested considerable money and resources in the establishment and maintenance of our brands, and we will continue to invest resources in brand marketing and other brand building efforts to preserve and enhance consumer awareness of our brands. In addition, effective performance marketing has been an important factor in our growth, and we believe it will continue to be important to our future success. As our competitors spend increasingly more on advertising and other marketing efforts, we are required to spend more in order to maintain our brand recognition and, in the case of performance marketing, to maintain and grow traffic to our platforms through performance marketing channels. We may not be able to successfully maintain or enhance consumer awareness and acceptance of our brands, and, even if we are successful in our branding efforts, such efforts may not be cost-effective. For instance, we have observed increased brand marketing by OTCs, meta-search services and travel service providers, which may make our brand marketing efforts more expensive and less effective. If we are unable to maintain or enhance consumer awareness and acceptance of our brands in a cost-effective manner, our business, market share and results of operations would be materially adversely affected.

Our online performance marketing efficiency, expressed as performance marketing expense as a percentage of revenues, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign currency exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers could increase our costs-per-click and reduce our performance marketing efficiency. We use third-party websites, including online search engines (primarily Google), meta-search and travel research services and affiliate marketing as the primary means of generating traffic to our websites. Growth of some of these channels has slowed. Our performance marketing expense has increased significantly and our performance marketing efficiency has declined in recent years, a trend we expect to continue, though the rate of decrease may fluctuate and there may be periods of stable or increasing returns on investment ("ROIs") from time to time. Further, at times we may pursue a strategy of increasing performance marketing ROIs, which could negatively affect our gross bookings and revenue growth rates. When evaluating our performance marketing spend, we consider several factors for each channel, such as the customer experience on the advertising platform, the incrementality of the traffic we receive and the anticipated repeat rate from a particular platform, as well as other factors. Pursuing a strategy of improving performance marketing ROIs, as we did beginning in the third quarter of 2017 through the fourth quarter of 2018, along with factors such as competitors' actions in the bidding environment, the amount of marketing invested by these channels to generate demand and overall performance marketing platform traffic growth trends, which have shown volatility and long-term deceleration of growth rates, may also impact growth rates for performance marketing channels. Any reduction in our performance marketing efficiency could have an adverse effect on our business and results of operations, whether through reduced revenues or revenue growth, or through performance marketing expenses increasing faster than revenues and thereby reducing margins and earnings growth.

We believe that a number of factors could cause consumers to increase their shopping activity before making a travel purchase. Increased shopping activity reduces our performance marketing efficiency and effectiveness because traffic becomes less likely to result in a reservation through our platforms, and such traffic is more likely to be obtained through paid performance marketing channels than through direct channels. Further, consumers may favor travel services offered by search or meta-search companies over OTCs, which could reduce traffic to our travel reservation platforms, increase consumer awareness of our competitors' brands and platforms, increase our marketing and other customer acquisition costs and adversely affect our business, margins and results of operations. To the extent any such increased shopping behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in revenues from our KAYAK meta-search business to offset any related decrease in revenues or increase in marketing and other customer acquisition costs experienced by our OTC brands.

We may not be able to keep up with rapid technological or other market changes.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, consolidation, frequent new service announcements, introductions and enhancements and changing consumer demands and preferences. We may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the progress of technology adoption in various markets, including the continuing adoption of the internet and online commerce in certain geographies and the emergence and growth of the use of smartphones, tablets and other smart devices, including those with voice and artificial intelligence capabilities, for mobile e-commerce transactions. New developments in other areas, such as cloud computing, could make entering our markets easier for competitors due to lower upfront technology costs. As a result, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services

and online platforms to evolving industry standards and local preferences and to continually innovate and improve the performance, features and reliability of our services and online platforms in response to competitive service offerings and the evolving demands of the marketplace. In particular, it is increasingly important for us to effectively offer our services on mobile devices through mobile apps and mobile-optimized websites and to tailor our services to varying devices and platforms. Any failure by us to successfully develop and achieve consumer adoption of our mobile platforms would have a material and adverse effect on our growth, market share, business and results of operations. Further, to the extent mobile devices or platforms enable users to block advertising content, our advertising revenue and our ability to market our brands and acquire new consumers may be negatively affected. We believe that ease-of-use, comprehensive functionality and the look and feel of our mobile platforms are increasingly competitively critical as consumers obtain more of their travel and restaurant services through mobile devices and platforms. As a result, we intend to continue to spend significant resources maintaining, developing and enhancing our mobile platforms and other technologies and platforms. Additionally, our ability to achieve our long-term strategy to build the Connected Trip depends on successfully integrating and developing new and evolving technologies, which is likely to require increased financial and personnel investments that could have an adverse impact on our results of operations until we achieve the expected return on these investments. However, these efforts may not be successful in improving the travel experience or retaining and attracting new customers, which would harm our business and results of operations. Further, technical innovation often results in bugs, vulnerabilities and other system failures. Any such bug, vulnerability or failure, especially in connection with a significant technical implementation or change, could result in lost business, harm to our brand or reputation, consumer complaints and other adverse consequences, any of which could adversely affect our business and results of operations.

We believe that another critical component to our future success will be our ability to enhance our payments capabilities, including by offering alternative payment solutions to consumers even when those payment solutions may not be accepted by the travel service provider or restaurant. Alternate payment providers such as Alipay, Paytm and WeChat Pay operate closed-loop payments systems with direct connections to both consumers and merchants. In many markets, particularly in Asia where credit cards are not readily available and/or e-commerce is largely carried out through mobile devices, these and other emerging alternative payment methods are the exclusive or preferred means of payment for many consumers. Therefore, if we are unable to offer consumers their preferred method of payment by integrating new or emerging payment methods into our platforms, we may not be able to effectively offer our services to these consumers, which would limit our growth opportunities in these markets and our business and results of operations could be harmed.

Furthermore, as the overall size of our business continues to grow, the competitive pressure to innovate will encompass a wider range of services and technologies, including services and technologies that may be outside of our historical core business, and our ability to keep pace may slow. Our current and potential competitors range from large and established companies to emerging start-ups. Emerging start-ups may be able to innovate and focus on developing a particularly new product or service faster than we can or may foresee consumer need for new services or technologies before we do. Some of our larger competitors or potential competitors have more resources or more established or varied relationships with consumers than we have, and they could use these advantages in ways that could affect our competitive position, including by making acquisitions, entering or investing in travel reservation businesses, investing in research and development and competing aggressively for highly-skilled employees. For example, because consumers often utilize other online services more frequently than online travel services, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost effectively acquire consumers for its online travel services than we can.

In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes (including new devices and services, such as Amazon's Echo and Alexa and Google Home and Google Assistant, developing technologies, such as artificial intelligence, chatbot and virtual reality technologies, and the creation of "super-apps" where consumers can use many online services without leaving a particular app) could require us to incur substantial expenditures to modify or adapt our services or infrastructure to these new technologies, which could adversely affect our results of operations or financial condition. Any failure to implement or adapt to new technologies in a timely manner or at all could adversely affect our ability to compete, increase our consumer acquisition costs or otherwise adversely affect our business, and therefore adversely affect our brand, market share and results of operations.

Our processing, storage, use and disclosure of personal data exposes us to risks of internal or external security breaches and could give rise to liabilities and/or damage to reputation.

The security of data when engaging in e-commerce is essential to maintaining consumer and travel service provider confidence in our services. Cyberattacks by individuals, groups of hackers and state-sponsored organizations are increasing in frequency and sophistication and are constantly evolving. Any security breach whether instigated internally or externally on our systems or third-party systems could significantly harm our reputation and therefore our business, brand, market share and results of operations. Consumers who use certain of our services provide us with their credit card information. We require user

names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data and prevent unauthorized access to our data or accounts. Computer circumvention capabilities, new discoveries or advances or other developments, including our own acts or omissions, could result in a compromise or breach of consumer data. For example, third parties may attempt to fraudulently induce employees, travel service provider partners or consumers to disclose user names, passwords or other sensitive information ("phishing"), which may in turn be used to access our information technology systems or to defraud our partners or consumers. Third parties may also attempt to take over consumer accounts by using passwords, usernames and other personal information obtained elsewhere to attempt to login to consumer accounts on our platforms. We have experienced targeted and organized phishing and account takeover attacks and we expect to continue to experience these events in the future. These risks are likely to increase as we expand our offerings, integrate our products and services, and store and process more data, including personal information. Our efforts to protect information from unauthorized access may be unsuccessful or may result in the rejection of legitimate attempts to book reservations through our services, any of which could result in lost business and could materially and adversely affect our business, reputation and results of operations.

Our existing security measures may not be successful in preventing security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information. In the last few years, several major companies experienced high-profile security breaches that exposed their systems and information and/or their consumers' or employees' personal information, and it is expected that these types of events will continue to occur. We have a heightened risk of security breaches due to some of our operations being located in certain international jurisdictions. We expend significant resources to protect against security breaches, and regularly increase our security-related expenditures to maintain or increase our systems' security. We have experienced and responded to cyberattacks, which we believe have not had a significant impact on the integrity of our systems or the security of data, including customer data maintained by us. These issues are likely to become more difficult to manage as we expand the number of places where we operate and the number and variety of services we offer, and as the tools and techniques used in such attacks become more advanced. Security breaches could result in severe damage to our information technology infrastructure, including damage that could impair our ability to offer our services or the ability of consumers to make reservations or conduct searches through our services, as well as loss of consumer, financial or other data that could materially and adversely affect our ability to conduct our business, satisfy our commercial obligations or meet our public reporting requirements in a timely fashion or at all. Security breaches could also result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, subject us to regulatory penalties and sanctions, or cause consumers to lose confidence in our security and choose to use the services of our competitors, any of which would have a negative effect on our brands, market share, results of operations and financial condition. Our insurance policies have coverage limits and may not be adequate to reimburse us for all losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the internet. Consumers generally are concerned with security and privacy on the internet, and any publicized security problems could negatively affect consumers' willingness to provide private information or effect online commercial transactions generally, including through our services. Some of our business is conducted with third-party marketing affiliates, which may generate travel reservations through our infrastructure or through other systems. Additionally, our consumers' personal data could be affected by security breaches at third parties upon which we rely, such as travel service providers, payroll providers, health plan providers, payment processors or GDSs. A security breach at any such third-party marketing affiliate, travel service provider, payment processor, GDS or other third party on which we rely, such as the security breach experienced by Sabre in May 2017, could be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, subject us to notification requirements, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements or with parameters within which we permit them to process data, which could expose us to liability.

In the operation of our business, we receive and store a large volume of personally identifiable data and payment information. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world. The European Union's General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, is designed to unify data protection within the European Union under a single law, which has resulted and will continue to result in significantly greater compliance burdens and costs for us. Under the GDPR, fines of up to 20 million Euros or up to 4% of the annual global revenues of the infringer, whichever is greater, could be imposed. Several data protection authorities have already imposed significant fines on companies of various sizes across industry sectors for violations of the GDPR. The California Consumer Privacy Act (the "CCPA"), which went into effect in January 2020, has created new data privacy rights for users in California and has resulted and will continue to result in additional complexity and costs related to compliance. Many other jurisdictions continue to consider adopting or may adopt similar data protection regulations. These regulations are typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction as well as to give individuals greater rights and/or control over how their data is processed. These laws and their interpretations continue

to develop and may be inconsistent from jurisdiction to jurisdiction. Additionally, some of these regulations, such as the CCPA, give consumers a private right of action against companies for violations of these rules. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. While we have invested and continue to invest significant resources to comply with the GDPR, CCPA and other privacy regulations, many of these regulations are new, extremely complex and subject to interpretation. Non-compliance with these laws could result in negative publicity, damage to our reputation, significant penalties or other legal liability. 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 negatively affect our business, our results of operations, financial condition or competitive position could be adversely affected.

Our business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.

We use Google to generate a significant portion of the traffic to our platforms, and, to a lesser extent, we use other search and meta-search services to generate traffic to our platforms, principally through pay-per-click marketing campaigns. The pricing and operating dynamics on these search and meta-search platforms can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic which determines the placement and display of results of a consumer's search, such that the placement of links to our platforms can be negatively affected and our costs to improve or maintain our placement in search results can increase. The European Commission has fined Google significant amounts for anti-competitive behavior relating to its comparison-shopping service and online search advertising services. Changes by Google in how it presents travel search results, including its promotion of its travel meta-search services, or the manner in which it conducts the auction for placement among search results, whether as a result of a court order, investigation or other reason, may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our platforms, which in turn would have an adverse effect on our business, market share and results of operations. Recently Google announced modifications to its flights display model, including that it would not be charging airlines and OTCs for sending referrals from Google Flights. As a result, airline and OTC partners may choose to limit or eliminate their use of other meta-search services or may demand cost savings from their other meta-search services and/or Google may receive access to discounted fares not provided to meta-search services that charge for referrals, any of which could adversely affect our meta-search business, profit margins and results of operations. Similarly, changes by our other search and meta-search partners in how they present travel search results or the manner in which they conduct the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our platforms. In addition, if travel search traffic declines or grows less quickly than in the past, our ability to efficiently generate traffic to our platforms through performance marketing on general search platforms may be adversely affected, which could have an adverse effect on our business and results of operations.

In addition, we purchase online traffic from a number of other sources, including some operated by our competitors, in the form of pay-per-click arrangements that can be terminated with little or no notice. If one or more of such arrangements is terminated, our business, market share and results of operations could be adversely affected. We rely on various third-party distribution channels (i.e., marketing affiliates) to distribute accommodation, rental car and airline ticket reservations. Should one or more of such third parties cease distribution of reservations made through us, or suffer deterioration in its search or meta-search ranking, due to changes in search or meta-search algorithms or otherwise, our business, market share and results of operations could be negatively affected.

System capacity constraints, system failures or denial-of-service or other attacks could harm our business and our reputation.

We have experienced rapid growth in consumer traffic to our online platforms, the number of accommodations on our extranets and the geographic breadth of our operations. If our systems cannot be expanded to cope with increased demand or fail to perform, we could experience unanticipated disruptions in service, slower response times, decreased customer service and customer satisfaction and delays in the introduction of new services, any of which could impair our reputation, damage our brands and materially and adversely affect our results of operations. Further, as an online business, we are dependent on the internet and maintaining connectivity between ourselves and consumers, sources of internet traffic, such as Google, and our travel service providers and restaurants. As consumers increasingly turn to mobile and other smart devices, we also become dependent on consumers' access to the internet through mobile carriers and their systems. Disruptions in internet access, such as the denial-of-service attack against Dyn in October 2016 that resulted in a service outage for several major internet companies, whether generally, in a specific market or otherwise, especially if widespread or prolonged, could materially adversely affect our business and results of operations. While we do maintain redundant systems and hosting services, it is possible that we could experience an interruption in our business, and we do not carry business interruption insurance sufficient to compensate us for all losses that may occur.

Our computer hardware for operating our services is currently located at hosting facilities around the world. These systems and operations are vulnerable to damage or interruption from human error, computer viruses, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, terrorism and similar misconduct. Despite any precautions we may take, the occurrence of any disruption of service due to any such misconduct, natural disaster or other unanticipated problems at such facilities, or the failure by such facilities to provide our required data communications capacity could result in lengthy interruptions or delays in our services. Any system failure that causes an interruption or delay in service could impair our reputation, damage our brands, result in lost business or result in consumers choosing to use a competitive service, any of which could have a material adverse effect on our business and results of operations.

Our existing security measures may not be successful in preventing attacks on our systems, and any such attack could cause significant interruptions in our operations. For instance, from time to time, we have experienced denial-of-service type attacks on our systems that have made portions of our websites slow or unavailable for periods of time. There are numerous other potential forms of attack, such as phishing (where a third party attempts to infiltrate our systems or acquire information by posing as a legitimate inquiry or electronic communication), account takeover attacks, SQL injection (where a third party attempts to insert malicious code into our software through data entry fields in our websites in order to gain control of the system) and attempting to use our websites as a platform to launch a denial-of-service attack on another party, each of which could cause significant interruptions in our operations and potentially adversely affect the value of our brands, operations and results of operations or involve us in legal or regulatory proceedings. We expend significant resources in an attempt to prepare for and mitigate the effects of any such attacks. Reductions in the availability and response time of our online services could cause loss of substantial business volumes during the occurrence of any such attack on our systems and measures we may take to divert suspect traffic in the event of such an attack could result in the diversion of bona fide customers. These issues are likely to become more difficult to manage as we expand the number of places where we operate and the variety of services we offer, and as the tools and techniques used in such attacks become more advanced. Successful attacks could result in negative publicity, damage our reputation and prevent consumers from booking travel services, researching travel services or making restaurant reservations through us during the attack, any of which could cause consumers to use the services of our competitors, which would have a negative effect on the value of our brands, our market share, business and results of operations.

We rely on certain third-party computer systems and third-party service providers, including GDSs and computerized central reservation systems of the accommodation, rental car and airline industries in connection with providing some of our services. Any damage to, breach of or interruption in these third-party services and systems or deterioration in their performance could prevent us from booking related accommodation, rental car and airline reservations and have a material adverse effect on our business, brands and results of operations. Our agreements with some third-party service providers are terminable upon short notice and often do not provide recourse for service interruptions. In the event our arrangement with any such third party is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms and, as a result, it could have a material adverse effect on our business and results of operations.

We depend upon various third parties to process payments, including credit cards, for our merchant transactions around the world. In addition, we rely on third parties to provide credit card numbers which we use as a payment mechanism for merchant transactions. If any such third party were wholly or partially compromised, our cash flows could be disrupted or we may not be able to generate merchant transactions (and related revenues) until such a time as a replacement process could be put in place with a different vendor, and this could have a negative effect on our business, reputation and results of operations.

We do not have a completely formalized or comprehensive disaster recovery plan in every geographic region in which we conduct business. In the event of certain system failures, we may not be able to switch to back-up systems immediately and the time to full recovery could be prolonged. Like many online businesses, we have experienced system failures from time to time. In addition to placing increased burdens on our engineering staff, these outages create a significant amount of consumer questions and complaints that need to be addressed by our customer support employees. Any unscheduled interruption in our service could result in an immediate loss of revenues that could be substantial, increase customer service costs, harm our reputation and result in some consumers switching to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently and significantly harmed. We have taken and continue to take steps to increase the reliability and redundancy of our systems. These steps are expensive, may reduce our margins and may not be successful in reducing the frequency or duration of unscheduled downtime.

We use both internally-developed systems and third-party systems to operate our services, including transaction processing, order management and financial and accounting systems. If the number of consumers using our services increases substantially, or if critical third-party systems stop operating as designed, we may need to significantly expand and upgrade our technology, transaction processing systems, financial and accounting systems or other infrastructure. We may not be able to

upgrade our systems and infrastructure to accommodate such conditions in a timely manner, and, depending on the systems affected, our transactional, financial and accounting systems could be impacted for a meaningful amount of time before upgrade, expansion or repair. Many of our processes and systems, including those related to processing and recording revenue, are highly automated and involve multiple inputs from various IT systems, which can mitigate the risk of human error but which can also make testing, troubleshooting and auditing more difficult. As a result, it may be difficult to quickly detect and correct errors embedded in these processes or systems.

Consumer adoption and use of mobile devices creates challenges and may enable device companies such as Google and Apple to compete directly with us.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smartphones, and tablets such as the iPad, coupled with the web browsing functionality and development of thousands of apps available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business, both direct and indirect, to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Some competitors offer last-minute discounts for mobile accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The revenues earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay, have lower ADRs and are not made as far in advance. Further, given the device sizes and technical limitations of tablets and smartphones, mobile consumers may not be willing to download multiple apps from multiple companies providing a similar service and instead prefer to use one or a limited number of apps for their mobile travel and restaurant research and reservation activity. As a result, the consumer experience with mobile apps as well as brand recognition and loyalty are likely to become increasingly important. Our mobile offerings have received generally strong reviews and are driving a material and increasing share of our business. We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer. As a result, it is increasingly important for us to develop and maintain effective mobile platforms to provide consumers with an appealing, easy-to-use mobile experience. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile offerings are not used by consumers, we could lose market share and our business, future growth and results of operations could be adversely affected.

Google's Android operating system is the leading smartphone operating system in the world. As a result, Google has the ability to leverage its Android operating system to give its travel services a competitive advantage, either technically or with prominence on its Google Play app store or within its mobile search results. Further, Google is the leading internet search service and has leveraged its search popularity to promote its travel services. The European Commission has fined Google significant amounts for breaching European Union antitrust rules by imposing restrictions on Android device manufacturers and mobile network operators, including by mandating the pre-installation of Google apps and limiting access to its Google Play app store. In addition, the European Commission's decision requires Google to end those practices or face penalty payments of up to 5% of the average daily worldwide turnover of Alphabet, Google's parent company. Google has appealed the European Commission's decision, and it is not yet clear how or whether the decision will affect Google's business, including its travel services.

Apple, the producer of, among other things, the iPhone and iPad, obtained a patent for "iTravel," a mobile app that would allow a traveler to check in for a travel reservation. In addition, Apple's iPhone operating system includes "Wallet," a virtual wallet app that holds tickets, boarding passes, coupons and gift cards, and, along with iTravel, may be indicative of Apple's intent to enter the travel reservations business in some capacity. Apple has substantial market share in the smartphone market and controls integration of offerings, including travel services, into its mobile operating system. Apple also has more experience producing and developing mobile apps and has access to greater resources than we have. Apple may use or expand iTravel, Wallet, Siri (Apple's voice recognition "concierge" service), Apple Pay (Apple's mobile payment system) or another mobile app or functionality as a means of entering the online travel reservations marketplace. To the extent Google or Apple use their mobile operating systems, app distribution channels or, in the case of Google, search services, to favor their own travel service offerings, our business and results of operations could be harmed.

We may have exposure to additional tax liabilities.

As an international business providing reservation and marketing services around the world, we are subject to income taxes and non-income-based taxes in the United States and various international jurisdictions. Due to economic and political conditions, tax rates and tax regimes in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets or changes in tax laws or their interpretation. If our effective tax rates were to increase, our results of operations and cash flows would be adversely affected.

Although we believe that our tax filing positions are reasonable and comply with applicable law, we regularly review our tax filing positions, especially in light of tax law or business practice changes, and may change our positions or determine that previous positions should be amended, either of which could result in additional tax liabilities. The final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. To date, we have been audited in many taxing jurisdictions with no significant impact on our results of operations. If current or future audits find that additional taxes are due, we may be subject to incremental tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our results of operations, financial condition and cash flows. For example, Booking.com is the subject of tax proceedings in France and has been assessed approximately 465 million Euros, the majority of which represents penalties and interest. We believe that Booking.com has been, and continues to be, in compliance with French tax law, and we are contesting the assessments. In January 2019, we were required to pay the assessments for the years 2003 through 2012 (356 million Euros) in order to preserve our right to contest the assessments for that period in court, though the payment is not an admission that we owe the taxes. See Note 16 to our Consolidated Financial Statements for more information regarding certain tax contingencies.

In general, governments are increasingly focused on ways to increase tax revenues, which has contributed to an increase in audit activity, more aggressive positions taken by tax authorities, more time and difficulty to resolve any audits or disputes and an increase in new tax legislation. Any such additional taxes or other assessments may be in excess of our current tax provisions or may require us to modify our business practices in order to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, results of operations and financial condition.

In December 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law in the United States. The Tax Act introduced a tax on 50% of global intangible low-taxed income, which is income determined to be in excess of a specified routine rate of return on qualifying business assets. The Tax Act further introduced a base erosion and anti-abuse tax ("BEAT") aimed at preventing the erosion of the U.S. tax base and a new tax deduction with respect to certain foreign-derived intangible income. If we are unable to operate our business so that BEAT does not impact us, our effective tax rate, results of operations and cash flows would be materially adversely affected. The tax law changes made by the Tax Act are broad and complex, and there continues to be significant uncertainty about how the Tax Act will be interpreted at both the U.S. federal and state levels. The interpretation and implementation of the Tax Act and regulations, rules or guidance that have been or may be adopted under, or result from, the Tax Act have had and could have a negative impact on our results of operations and cash flows.

Additionally, there have been significant changes made and proposed to international tax laws that increase the complexity, burden and cost of tax compliance. The Organisation for Economic Co-operation and Development ("OECD") initiated the "base erosion and profit shifting" ("BEPS") project to ensure international tax standards keep pace with changes in global business practices and to address situations where multinational businesses may pay little or no tax in certain jurisdictions by shifting profits away from jurisdictions in which the profit generating activities take place. The OECD is working towards a consensus-based solution by the end of 2020 to address the challenges posed to the current tax system by the digitalization of the economy. The OECD Secretariat's current proposal aims to ensure that multinational businesses are taxed in jurisdictions where they are conducting significant business but do not have a physical presence by establishing new nexus rules determining where tax should be paid and new profit allocation rules determining what portion of profits should be taxed. Certain countries and a number of E.U. member states have taken steps to unilaterally introduce a digital services tax to address the issue of multinational businesses carrying on business in their jurisdiction without a physical presence and therefore generally not subject to income tax in those jurisdictions. In July 2019, France passed legislation that introduced a 3% digital services tax, which is retroactively applicable as of January 1, 2019. Although the French tax authorities have postponed the requirement to pay the 2020 digital services tax until December 2020, the French government has not repealed the tax and is merely postponing the payment of the tax to see if a consensus is reached by the OECD during 2020 on how online businesses should be taxed. Consequently, we continue to accrue for the tax in 2020 because we will owe the tax to France if no consensus is reached by the OECD and France does not repeal the tax. Italy and Turkey have also passed legislation that introduces digital services taxes of 3% and 7.5%, respectively, that will be effective in 2020. Several other countries are also considering adopting digital services taxes. For example, the United Kingdom has proposed legislation to implement a digital services tax that, if enacted, would become effective in 2020 and would impose a 2% tax on revenue earned by larger companies from U.K. users of digital services. Similarly, Spain submitted a digital services tax bill to its parliament for approval in January 2019 that would tax digital services at 3%. Many questions remain as to the enactment, form and application of these digital services taxes. For example, it is not clear whether all countries will allow a deduction of digital services taxes for income tax purposes or whether there is potential for double taxation on the same transaction. The interpretation and implementation of the various digital services taxes (especially if there is inconsistency in the application of these taxes across tax jurisdictions) could have a materially adverse impact on our results of operations and cash flows. Further, digital services taxes may not apply to our competitors such as hotel chains and smaller OTCs, which harms our business and competitive position.

Any changes to international tax laws, including new definitions of permanent establishment, new nexus and profit allocation rules, or changes affecting the benefits of preferential tax regimes such as the Dutch "Innovation Box Tax" (discussed below), could impact the tax treatment of our foreign earnings and adversely impact our effective tax rate. Further, changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of compliance. Due to the large and expanding scale of our international business activities, any changes in U.S. or international taxation of our activities or the combined effect of tax laws in multiple jurisdictions may increase our worldwide effective tax rate, increase the complexity and costs associated with tax compliance (especially if changes are implemented or interpreted inconsistently across tax jurisdictions) and adversely affect our cash flows and results of operations.

We are also subject to non-income-based taxes, such as value-added, payroll, sales, use, excise, net worth, property, hotel occupancy and goods and services taxes. We refer generally to taxes on travel transactions (e.g., value-added taxes, sales taxes, excise taxes, hotel occupancy taxes, etc.) as "travel transaction taxes." From time to time, we are under audit or investigation by tax authorities or involved in legal proceedings related to these non-income-based taxes or we may revise or amend our tax positions, which may result in additional non-income-based tax liabilities. A number of jurisdictions in the United States have initiated lawsuits against online travel companies, including us, related to, among other things, the payment of certain travel transaction taxes (such as hotel occupancy taxes) that could include historical taxes that are claimed to be owed, interest, penalties, punitive damages and/or attorney's fees and costs. In addition, a number of jurisdictions have initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. Additional jurisdictions may assert that we are subject to, among other things, travel transaction taxes and could seek to collect such taxes, either retroactively, prospectively or both. Jurisdictions could also seek to amend their tax statutes in order to collect travel transaction taxes from us on a prospective basis. Litigation is subject to uncertainty and there could be adverse developments in these pending or future cases and proceedings. Additionally, several U.S. jurisdictions have adopted or may adopt laws that require us to collect and remit sales tax on behalf of travel service providers, which in some instances may negatively impact our revenue. Adverse tax decisions or new laws could have a material adverse effect on our business, margins, cash flows and results of operations. An unfavorable outcome or settlement of pending litigation may encourage the commencement of additional litigation, audit proceedings or other regulatory inquiries. In addition, an unfavorable outcome or settlement of these actions or proceedings could result in substantial liabilities for past and/or future bookings, including, among other things, interest, penalties, punitive damages and/or attorneys' fees and costs.

We may not be able to maintain our "Innovation Box Tax" benefit.

The Netherlands corporate income tax law provides that income generated from qualifying innovative activities is taxed at the rate of 7% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. A portion of Booking.com's earnings currently qualifies for Innovation Box Tax treatment. In 2019, the Innovation Box Tax benefit reduced our consolidated income tax expense by \$443 million. In 2019, the Dutch government approved a reduction in its corporate income tax rate from 25% to 21.7%, effective in 2021. Furthermore, the Dutch government has proposed an increase in the Innovation Box Tax rate from 7% to 9%, which, if enacted, could be effective beginning in 2021.

In order to be eligible for Innovation Box Tax treatment, Booking.com must, among other things, apply for and obtain a research and development ("R&D") certificate from a Dutch governmental agency every six months confirming that the activities that Booking.com intends to be engaged in over the subsequent six-month period are "innovative." The R&D certificate is current but should Booking.com fail to secure such a certificate in any future period - for example, because the governmental agency does not view Booking.com's new or anticipated activities as innovative - or should this agency determine that the activities performed in a prior period were not performed as contemplated or did not comply with the agency's requirements, Booking.com may lose its certificate and, as a result, the Innovation Box Tax benefit may be reduced or eliminated. Booking.com intends to apply for continued Innovation Box Tax treatment for future periods. However, Booking.com's application may not be accepted, or, if accepted, the amount of qualifying earnings may be reduced.

The loss of the Innovation Box Tax benefit (or any material portion thereof), whether due to a change in tax law or a determination by the Dutch government that Booking.com's activities are not innovative or for any other reason, would substantially increase our effective tax rate and adversely impact our results of operations and cash flows.

We are dependent on providers of accommodations, rental cars and airline tickets and on restaurants.

We rely on providers of accommodations, rental cars and airline tickets and on restaurants to make their services available to consumers through us. Our arrangements with travel service providers generally do not require them to make available any specific quantity of accommodation reservations, rental cars or airline tickets, or to make accommodation reservations, rental cars or airline tickets available in any geographic area, for any particular route or at any particular price. Similarly, our arrangements with restaurants generally do not require them to provide all of their available tables and reservations to customers through us. We are in regular dialogue with our major travel service providers about the nature and

extent of their participation in our services. A significant reduction on the part of any of our major travel service providers or providers that are particularly popular with consumers in their participation in our services for a sustained period of time or their complete withdrawal could have a material adverse effect on our business, market share and results of operations. To the extent any of those major or popular travel service providers ceased to participate in our services in favor of one of our competitors' services or decided to require consumers to purchase services directly from them, our business, market share and results of operations could be harmed. During periods of higher occupancy rates, accommodation providers may decrease their distribution of accommodation reservations through third-party intermediaries like us, in particular through our discount services. Further, as consolidation among travel service providers increases, the potential adverse effect of a decision by any particular significant travel service provider (such as a large hotel chain, airline or rental car company) to withdraw from or reduce its participation in our services also increases. To the extent restaurants limit the availability of reservations through OpenTable, consumers may not continue to use our services and/or our revenues and results of operations could be adversely affected, especially if reservations during highly desirable times on high volume days are not made available through us.

KAYAK, a meta-search service, depends on access to information related to travel service pricing, schedules, availability and other related information from OTCs and travel service providers to attract consumers. Many of KAYAK's agreements with OTCs and travel service providers are short-term agreements that may be terminated on 30 days' notice. To the extent OTCs or travel service providers no longer provide such information to KAYAK, KAYAK's ability to provide comprehensive travel service information to consumers could be diminished and its brand, business and results of operations could be harmed. To the extent consumers do not view KAYAK as a reliable source of comprehensive travel service information, fewer consumers would likely visit its websites, which would also likely have a negative impact on KAYAK's advertising revenue and results of operations. In addition, if OTCs or travel service providers choose not to advertise with KAYAK or choose to reduce or eliminate the fees paid to KAYAK for referrals from query results, KAYAK's business and results of operations could be adversely affected.

We rely on the performance of highly skilled employees; and, if we are unable to retain or motivate key employees or hire, retain and motivate qualified employees, our business would be harmed.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled employees for all areas of our organization. In particular, the contributions of key senior management in the United States, Europe and Asia are critical to the overall management of our business. We may not be able to retain the services of any members of our senior management or other key employees, the loss of whom could harm our business and competitive position. We do not maintain any key person life insurance policies.

In addition, competition for well-qualified employees in all aspects of our business, including software engineers, mobile communication talent and other technology professionals, is intense. Our international success in particular has led to increased efforts by our competitors and others to hire our international employees. These difficulties may be amplified by evolving restrictions on immigration, travel or availability of visas or work permits for skilled technology workers. The competition for talent in our industry has in the past and may in the future increase our personnel expenses, which may adversely affect our results of operations. Our continued ability to compete effectively and to innovate and develop products, services, technologies and enhancements depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining, training, managing and motivating existing employees, our business, competitive position, reputation and results of operations would be adversely affected.

Our business is subject to various competition, anti-trust, consumer protection and online commerce laws, rules and regulations around the world, and as the size of our business grows, scrutiny of our business by legislators and regulators in these areas may intensify.

We, the travel industry and the technology industry generally are subject to competition, anti-trust and consumer protection laws and regulations around the world. These laws and regulations evolve and change, and their interpretation, application and enforcement can also change, be unpredictable or be affected by changing political or social pressures. As we expand our business into new areas, including our evolution towards the Connected Trip, we may become subject to additional laws and regulations. At times, online travel platforms, including us, have been the subject of investigations or inquiries by various national competition authorities ("NCAs") or other governmental authorities. For example, we have been and continue to be involved in investigations related to whether Booking.com's contractual parity arrangements with accommodation providers, sometimes also referred to as "most favored nation" or "MFN" provisions, are anti-competitive because they require accommodation providers to provide Booking.com with room rates, conditions or availability that are at least as favorable as those offered to other OTCs or through the accommodation provider's website. To resolve and close certain of the investigations, we have from time to time made commitments to the investigating authorities regarding future business

practices or activities. For example, Booking.com has made commitments to several NCAs, including agreeing to narrow the scope of its parity arrangements, in order to resolve parity-related investigations.

We have also been involved in investigations or inquiries involving consumer protection matters. For example, in October 2017 the United Kingdom's NCA (the Competition and Markets Authority, or CMA) launched a consumer protection law investigation into the clarity, accuracy and presentation of information on hotel booking sites with a specific focus on the display of search results (e.g., ranking), claims regarding discounts, methods of "pressure selling" (such as allegedly creating false impressions regarding room availability) and failure to disclose hidden charges. In connection with this investigation, in June 2018, the CMA announced that it would proceed with enforcement action against a number of hotel booking sites. Booking.com, agoda and KAYAK, along with a number of other OTCs, voluntarily agreed to certain commitments with the CMA addressing its concerns in resolution of this investigation, which took effect on September 1, 2019. Among other things, the commitments provided to the CMA include showing prices inclusive of all mandatory taxes and charges, providing information about the effect of money earned on search result rankings on or before the search results page and making certain adjustments to how discounts and statements concerning popularity or availability are shown to consumers. The CMA has stated that it expects all market participants to adhere to the same standards, regardless of whether they formally signed the commitments. The commitments concluded the CMA's investigation without a finding of infringement or an admission of wrongdoing by the OTCs involved. As a result of additional inquiries from other NCAs in the European Economic Area, Booking.com has made similar commitments with the Consumer Protection Cooperation Network to be applicable across the E.U. beginning in June 2020. There are consumer protection investigations or inquiries in other countries as well, including in Hungary, Italy and Brazil, and other countries may decide to investigate these or similar issues generally or with respect to specific businesses, including ours, and we are unable to predict the outcome of any such other investigations or inquiries. To the extent that any such other investigations or inquiries result in additional commitments, fines, damages or other remedies, our business, financial condition and results of operations could be harmed.

As markets evolve and NCAs or other governmental authorities continue to monitor our industry, new investigations of the industry generally or of us specifically could and have occurred, including revisiting issues that were the subject of prior investigations. For example, a working group of 10 European NCAs (France, Germany, Belgium, Hungary, Ireland, Italy, the Netherlands, Czech Republic, the United Kingdom and Sweden) was established by the European Commission to monitor the effects of the narrow parity clause in Europe. This working group has decided to keep the sector under review and re-assess the competitive situation in due course. Also, while we believe that we are complying with our commitments, investigating authorities or third parties may determine that we are not complying with the commitments we have made and decide to pursue legal action to compel compliance or seek other remedies. Further, in September 2017 the Swiss Price Surveillance Office opened an investigation into the level of commissions of Booking.com in Switzerland and the investigation is ongoing.

We are cooperating with regulators where applicable, but we are unable to predict what, if any, effect any investigations or resolutions thereof, including the effect of any commitments we might make, will have on our business, industry practices or online commerce more generally.

To the extent that regulatory authorities impose fines on us or require changes to our business practices or to those currently common to the industry, our business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding competition and/or consumer law investigations could adversely affect our brands and therefore our business, market share and results of operations. Competition and consumer law-related investigations, legislation or issues have and could in the future result in private litigation.

Another area of increased scrutiny, particularly in Europe, involves contractual search term bidding restrictions where one contracting party agrees not to bid on certain key search terms related to the other party (e.g., such other party's name). Although we are generally moving away from these types of agreements, in some of our contracts, we or the other party have agreed to bidding restrictions. If bidding restrictions are held to be illegal or otherwise unenforceable or if we remove them from all of our contracts, our performance marketing costs may increase if bidding on affected key words (especially those related to us) becomes more expensive, which could adversely affect our performance marketing efficiency, business and results of operations.

Recently, there has been increased legislative and public focus on the technology industry, especially as technology companies become larger. In some instances, countries have passed legislation that goes further to restrict business activities than actions taken by NCAs or other regulatory authorities. For example, France, Italy, Belgium and Austria have passed legislation prohibiting parity contract clauses in their entirety. Additionally, the EU's Platform to Business Regulation, which comes into effect in July 2020, will regulate the relationship between online platforms such as Booking.com and European business users of online platforms. This new regulation will require online platforms to provide additional disclosure to European business partners, such as terms related to search result ranking and preferential pricing as well as provide for a

mediation process to handle any disputes, among other changes. New laws and regulations and changing public perception relating to the technology industry could impact our services, require us to change our business practices or otherwise cause us to incur additional operating costs to comply with or address these developments. Further, as market conditions change as a result of investigations, litigation, legislation or political or social pressure, we may decide to voluntarily modify our business practices beyond what is required, the full effects of which may not be known when making the decision, but which could harm our competitive position and adversely affect our business and results of operations.

With additional attention on the size of travel or technology companies generally, our size and market share may negatively affect our ability to obtain regulatory approval of proposed acquisitions, our ability to expand into complementary businesses or our latitude in dealing with travel service providers (such as by limiting our ability to provide discounts, rebates or incentives or to exercise contractual rights), any of which could adversely affect our business, results of operations or ability to grow and compete.

Regulatory and legal requirements and uncertainties could subject us to business constraints, increased compliance costs and complexities or otherwise harm our business.

The services we offer and could offer in the future are subject to legal regulations (including laws, ordinances, rules, licensing requirements and other requirements and regulations) of national and local governments and regulatory authorities around the world, many of which are evolving and subject to the possibility of new or revised interpretations. Our ability to provide our services is and will continue to be affected by such regulations. For example, we began offering optional rental car-related insurance products to customers protecting them against accidental damage to their rental vehicles, which subjects us to certain insurance regulations and related increased compliance costs and complexities, any of which could negatively impact our business and results of operations. Laws in some countries relating to data localization, registration as a travel agent and other local requirements could, if applicable to us, adversely affect our ability to conduct business in those countries. Any increase in the number or complexity of the laws and regulations applicable to us and our businesses could increase our compliance costs and burdens and negatively affect our business and results of operations.

For example, in the European Union, the Package Travel Directive (the "Package Directive") sets out broad requirements such as local registration, certain mandatory financial guarantees, industry specific value-added tax regimes, disclosure requirements and other rules regulating the provision of travel packages and linked travel arrangements. The Package Directive also creates additional liability for a provider of travel packages, which could be the OTC, for performance of the travel services within a packaged trip under certain circumstances. Certain parts of our business are already subject to the broad scope of the Package Directive as it relates to linked travel arrangements, and as our offerings continue to diversify and expand, we may become subject to additional requirements of the Package Directive. Compliance with this directive could be costly and complex or, as a result of these requirements, we could choose to limit offerings that would otherwise be beneficial for the business, any of which could adversely affect our business, results of operations or ability to grow and compete.

The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by judicial or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise have a material adverse effect on our business and results of operations. For example, in connection with a lawsuit begun in 2015 by the Association of Turkish Travel Agencies, a Turkish court ordered in 2019 that Booking.com must meet certain registration requirements in order to offer Turkish hotels and accommodations to Turkish residents. If Booking.com does not successfully appeal this decision or meet the Turkish registration requirements, Booking.com will be unable to resume offering Turkish hotels and accommodations to Turkish residents, which would continue to negatively impact our results of operations. Another example is that the U.S. Government announced in May 2019 that it will no longer suspend the right of private parties to bring litigation under Title III of the Cuban Liberty and Solidarity (Libertad) Act of 1996, popularly known as the Helms-Burton Act, allowing certain individuals whose property was confiscated by the Cuban government beginning in 1959 to sue anyone who "traffics" in the property in question in U.S. courts. We are a defendant in a number of these lawsuits, which seek remedies including the value of the expropriated property (generally, the applicable hotel), plus interest, treble damages, attorneys' fees and costs. We believe that we have meritorious defenses to existing and potential claims and that the results of any related litigation will not be material to our business, financial condition or results of operations. However, litigation is uncertain and there is little judicial history or interpretation of the relevant claims and defenses, in particular as applied to businesses like ours. As a result, there can be no assurance that there will not be an adverse outcome to any such litigation or that such an outcome would not result in an adverse impact on our business, financial condition or results of operations.

Certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including restrictions that may adversely affect our ability to offer accommodations, in particular, alternative

accommodations, near city centers or popular tourist destinations. To the extent any such regulations require online platforms such as ours to comply with additional restrictions related to offering reservations for accommodations, tours and activities or other travel services in such areas, we could be subject to increased legal and compliance costs, and our business, growth and results of operations could be adversely affected.

Compliance with the laws and regulations of multiple jurisdictions increases our cost of doing business. These laws and regulations, which vary and sometimes conflict, include the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and local laws which also prohibit corrupt payments to governmental officials or third parties, data privacy requirements, labor relations laws, tax laws, anti-trust or competition laws, U.S., E.U. or U.N. sanctioned country or sanctioned persons mandates, and consumer protection laws. Violations of these laws and regulations could result in fines and/or criminal sanctions against us, our officers or our employees and/or prohibitions on the conduct of our business. Any such violations could result in prohibitions on our ability to offer our services in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brands, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Even if we comply with these laws and regulations, doing business in certain jurisdictions could harm our reputation and brands, which could adversely affect our results of operations or stock price. In addition, these restrictions may provide a competitive advantage to our competitors unless they are also subject to comparable restrictions. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties. We are also subject to a variety of other regulatory, legal and public policy risks and challenges in managing an organization operating in various countries, including those related to:

- regulatory changes or other government actions;
- additional complexity to comply with regulations in multiple jurisdictions, as well as overlapping or inconsistent legal regimes, in particular with respect to tax, labor, consumer protection, digital content, advertising, promotions, privacy and anti-trust laws;
- difficulties in transferring funds from or converting currencies in certain countries;
- reduced protection for intellectual property rights in some countries; and
- changes in social or political conditions or policies relating to a wide range of sustainability topics.

Our business has grown substantially over the last several years as we have expanded into new geographies and added new services. In addition, we have made efforts and expect to make further efforts to integrate access to travel services across our various brands. These changes add complexity to legal and tax compliance and our internal controls, and our increased size and operating history may increase the likelihood that we will be subject to regulatory scrutiny or audits by tax authorities in various jurisdictions. In addition, by virtue of Booking.com's size and presence in the Netherlands, it was recently required to establish a supervisory board to oversee the strategy and operations of Booking.com. While we do not expect the existence of the supervisory board to have a significant impact on our operations, under certain circumstances, this governance structure could require Booking.com to obtain supervisory board approval in order to take certain actions, which could result in delays or other unanticipated strategic or operational challenges.

There are various risks associated with the facilitation of payments from consumers, including risks related to fraud, compliance with evolving rules and regulations and reliance on third parties.

Our results have been and will likely continue to be negatively impacted by consumer purchases made using fraudulent credit cards, claims the consumer did not authorize the purchase or consumers who have closed bank accounts or have insufficient funds in their bank accounts to satisfy payments. We may be held liable for accepting fraudulent credit cards on our platforms or in connection with other fraudulent transactions on our platforms, as well as other payment disputes with consumers. Accordingly, we calculate and record an allowance for the resulting chargebacks. We must also continually implement and evolve measures to detect and reduce the risk of fraud, in particular as these methods become increasingly sophisticated. If we are unable to combat the use of fraudulent credit cards on our websites, our business, profit margins, results of operations and financial condition could be materially adversely affected.

We believe that an important component of our future success will be our ability to offer consumers their preferred method of payment in the most efficient manner on all our platforms, and, as a result, we are increasingly processing transactions on a merchant basis where we facilitate payments from travelers through the use of credit cards and other payment methods (such as PayPal, Alipay, Paytm and WeChat Pay). While processing transactions on a merchant basis allows us to process transactions for properties that do not otherwise accept credit cards and to increase our ability to offer a variety of

payment methods and flexible transaction terms to consumers, we incur additional payment processing costs (which are typically higher for foreign currency transactions) and other costs related to these transactions, such as costs related to fraudulent payments and transactions and fraud detection. As our merchant transactions continue to grow, in addition to the revenues from these transactions, we may experience a significant increase in these costs, and our results of operations and profit margins could be materially adversely affected, in particular if we experience a significant increase in non-variable costs related to fraudulent payments and transactions.

The growth in processing transactions on a merchant basis also requires us to manage our global systems and processes associated with these transactions on a larger scale, which introduces additional complexity and increases administrative burdens and costs, which could adversely affect our results of operations. The increase in payments processing may also subject the business to additional regulations, including financial services regulation or other regulatory regimes applicable to highly regulated businesses, which could result in increased compliance costs and complexities, including those associated with the implementation of new or advanced internal controls. For example, the E.U.'s Payment Services Directive 2 has further complicated the authentication process for accepting credit cards. As a result of this directive, payments made on our platforms by consumers in the European Economic Area are subject to Strong Customer Authentication, which requires the consumer to engage in additional steps to authenticate their transaction. This new process could cause consumer transactions to take longer to process or otherwise inconvenience the consumer, which could result in consumers choosing not to utilize our platforms as often or at all. The implementation of this process has resulted and may continue to result in increased compliance costs and administrative burdens for us. As our business evolves or as we change the way we facilitate payments on our platforms and new money transmission and online payments rules come into effect, we may become subject to new payments and financial services laws and regulations including those relating to money transmission licenses, anti-money laundering, banking, privacy and security of our processes, among others. Compliance with this changing regulatory environment could create significant additional compliance costs and burdens or it could lead us to modify our business plans or operations, any of which could negatively impact our business, results of operations and profit margins.

We are also subject to payment card association rules and obligations under our contracts with payment card processors, including the Payment Card Industry and Data Security Standard (the "Standard"). Under the Standard and these association rules and obligations, if information is compromised, we could be liable to payment card issuers for associated expenses and penalties, and in some cases, we could be restricted in our ability to accept payment cards. Under certain circumstances, we are also subject to periodic audits, self-assessments and other assessments of our compliance with the Standard, which could result in additional expenses and administrative burdens. In addition, if we fail to follow payment card industry security standards, even if no consumer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs. Additionally, compliance with the Standard may not prevent all security incidents. If we are fined or required to pay additional processing fees or if our ability to accept payment cards is restricted in any way as a result of our failure to comply with these payment card industry rules, or otherwise, it could adversely impact our business, results of operations and profit margins.

We rely on banks and other payment processors to execute certain components of the payments process. We generally pay these third parties interchange fees and other processing and gateway fees to help us facilitate payments from consumers to travel service providers. As a result, if we are unable to maintain our relationships with these third parties on favorable terms or if these fees are increased for any reason, our profit margin, business and results of operations could be harmed. Additionally, if these third parties experience service disruptions, consumers and travel service providers could have difficulty making or receiving payments, which could adversely impact our reputation, business and results of operation.

In addition, in the event that one of our major travel service providers voluntarily or involuntarily declares bankruptcy, we could experience an increase in chargebacks from customers with travel reservations with such travel service provider. For example, airlines that participate in our services and declare bankruptcy or cease operations may be unable or unwilling to honor tickets sold for their flights. Our policy in such events is to direct customers seeking a refund or exchange to the airline and/or their credit card company, and not to provide a remedy ourselves. However, we have experienced in the past, and could experience in the future, an increase in chargebacks from customers with tickets on airlines that ceased operations, which could adversely impact our results of operations.

Our stock price is highly volatile.

The market price of our common stock is highly volatile and is likely to continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- financial or operating results that vary from the expectations of securities analysts and investors or our publicly-disclosed estimates;

- quarterly variations in our financial or operating results;
- changes in expectations as to our future financial or operating performance, including estimates by securities analysts and investors or our publicly-disclosed estimates of future performance;
- worldwide economic conditions in general and in Europe in particular;
- fluctuations in foreign currency exchange rates, particularly between the U.S. Dollar and the Euro;
- changes in interest rates;
- occurrence of a significant security breach;
- announcements of technological innovations or new services by us or our competitors;
- changes in our capital structure;
- changes in market valuations of other internet or online service companies;
- announcements by us or our competitors of price reductions, promotions, significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major travel service provider participant, such as a hotel chain, rental car company or airline, from our services;
- changes in the status of our intellectual property rights;
- lack of success in the expansion of our business models geographically;
- business interruptions, such as may result from natural disasters, health concerns such as the coronavirus or other events;
- announcements by third parties of significant claims or initiation of litigation proceedings against us or adverse developments in pending proceedings;
- additions or departures of key personnel; and
- trading volume fluctuations.

Sales of a substantial number of shares of our common stock, including through the conversion of our convertible notes, could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that exists for our shares, such sales could cause the market price of our common stock to decline significantly. In addition, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

The trading prices of internet company stocks in general, including ours, have experienced extreme price and volume fluctuations. To the extent that the public's perception of the prospects of internet or e-commerce companies is negative, our stock price could decline, regardless of our results. Other broad market and industry factors may decrease the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions, such as a recession, interest rate or foreign currency exchange rate fluctuations, political instability (e.g., Brexit), changes in trade policy, trade disputes or a natural disaster, health concerns such as the coronavirus or a terrorist attack affecting a significant market for our business, such as Europe or the United States, could cause our stock price to decline. Negative market conditions could adversely affect our ability to raise additional capital or the value of our stock for purposes of acquiring other companies or businesses.

We have, in the past, been a defendant in securities class action litigation. Securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. To the extent our stock price declines or is volatile, we may in the future be the target of additional litigation. This additional litigation could result in

substantial costs and divert management's attention and resources, either of which could adversely affect our business, financial condition and results of operations.

We face increased risks if the level of our debt increases.

We have a substantial amount of outstanding indebtedness and we may incur substantial additional indebtedness in the future, including through public or private offerings of debt securities. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, which could include:

- requiring the dedication of a portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures, share repurchases and acquisitions;
- increased vulnerability to downturns in our business, to competitive pressures and to adverse changes in general economic and industry conditions;
- decreased or lost ability to obtain additional financing on terms acceptable to us for working capital, capital expenditures, acquisitions, share repurchases or other general corporate purposes; and
- decreased flexibility when planning for or reacting to changes in our business and industry.

Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our results of operations and financial condition, many of which are beyond our control. Further, we may not have access to equity or debt markets or other sources of financing, or such financing may not be available to us on commercially reasonable terms, to repay or refinance our debt as it comes due or, in the case of our convertible notes, upon conversion.

We face risks related to our intellectual property.

We regard our intellectual property as critical to our success, and we rely on domain name, trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, travel service providers, partners and others to protect our proprietary rights. We have filed various applications for protection of certain aspects of our intellectual property in the United States and other jurisdictions, and we currently hold a number of issued patents in several jurisdictions. Further, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, we may choose not to patent or otherwise register some of our intellectual property and instead rely on trade secret or other means of protecting our intellectual property. We have licensed in the past, and may license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties, and these licensees may take actions that diminish the value of our proprietary rights or harm our reputation. We also have procured various intellectual property licenses from third parties. In addition, effective intellectual property protection may not be available in every country in which our services are made available online, particularly in certain jurisdictions in which we operate in which theft of intellectual property may be more prevalent. We may be required to expend significant time and resources to prevent infringement or to enforce our intellectual property rights.

We believe that our intellectual property rights help to protect our business. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time-consuming, and may divert managerial attention and resources from our business objectives. We may not be able to successfully defend our intellectual property rights or they may not be sufficient to effectively protect our business, which could materially adversely affect our business, brands and results of operations.

From time to time, in the ordinary course of our business, we have been subject to, and are currently subject to, legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims, in particular patent claims, against us, particularly as we expand the complexity and scope of our business. Successful infringement claims against us could result in a significant monetary liability or prevent us from operating our business, or portions of our business, or require us to change business practices or develop non-infringing intellectual property, which could require significant effort and expense. In addition, 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 possibly to cease using those rights altogether. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

The value of our investments could decline, which could adversely affect our financial condition and results of operations.

We maintain an investment portfolio of various holdings, types and maturities. Our portfolio includes marketable debt securities, equity securities of publicly-traded companies, the values of which are subject to market price volatility, and investments in private companies. Our investments in marketable debt securities and preferred stock classified as debt securities for accounting purposes are generally classified as available-for-sale and, consequently, are recorded in our balance sheets at fair value with unrealized gains or losses, net of tax, reported in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. If such investments suffer market price declines, we may recognize in earnings the decline in the fair value of our investments below their cost basis when the decline is judged to be other than temporary (see Note 2 to our Consolidated Financial Statements for the accounting change to the other-than-temporary impairment model, effective January 1, 2020). For periods beginning on or after January 1, 2018, changes in the fair value of our investments in publicly-traded equity securities are recognized in net income and these changes have had, and are likely to continue to have, a significant impact on our quarterly net income. Our investments in equity securities (other than those classified as debt securities for accounting purposes) of private companies are primarily measured at cost, less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, with changes in value also recognized in net income (see Note 2 to our Consolidated Financial Statements).

We have invested a significant amount in Trip.com Group convertible notes and ADSs. We have also invested in other Chinese internet companies (i.e., Meituan Dianping ("Meituan") and Didi Chuxing ("Didi")). See Note 5 to our Consolidated Financial Statements for more information regarding our investments in Trip.com Group, Meituan and Didi securities. The value of these securities is subject to the risks associated with Trip.com Group's, Meituan's and Didi's respective businesses, as well as any changes by the Chinese government in foreign investment laws or elevated scrutiny or regulation of foreign investments in Chinese companies. For example, Trip.com Group is a Cayman Islands company operating in China through what is commonly referred to as a variable interest entity, or VIE, structure where it conducts part of its business through contractual relationships with affiliated Chinese entities. Although VIE structures are commonly used by Chinese internet and e-commerce companies, there are substantial uncertainties regarding the interpretation and application of People's Republic of China ("PRC") laws and regulations to VIE structures, and it is possible that the PRC government may view the VIE structure as a violation of PRC law. VIE contractual relationships are not as effective in providing control over the affiliated Chinese companies as direct ownership, and Trip.com Group would have to rely on the PRC legal system to enforce those contracts in the event of a breach by one of these entities. Further, conflicts of interest could arise to the extent Trip.com Group's officers or directors are also shareholders, officers or directors of the affiliated Chinese entities. Any of these risks could materially and adversely affect Trip.com Group's business and therefore the value of our investment in Trip.com Group. Similar VIE-structure considerations and risks apply with respect to our investments in securities of Meituan and Didi, each of which is a Cayman Islands company operating in China through a VIE structure.

Our investments in private companies are inherently risky in that such companies are typically at an early stage of development, may have no or limited revenues, may not be or ever become profitable, may not be able to secure additional funding or their technologies, services or products may not be successfully developed or introduced to the market. Further, our ability to liquidate any such investments is typically dependent on a liquidity event, such as a public offering or acquisition, as no public market exists for such securities. Valuations of privately-held companies are inherently complex and uncertain due to the lack of a liquid market for such securities. If we determine that any of our investments in such companies have experienced a decline in value, we are required to recognize the change in net income. For example, in 2016 we recognized impairments totaling \$63 million related to investments in two private companies and in 2017 we recognized an impairment of \$8 million related to an investment in one private company.

We could lose the full amount of any of our investments, and any impairment of our investments could have a material adverse effect on our financial condition and results of operations.

Investment in new business strategies and acquisitions could disrupt our ongoing business and present risks not originally contemplated.

Our mission is to make it easier for everyone to experience the world. As a result, our strategy involves evaluating and potentially entering complementary businesses in furtherance of that mission. We have invested, and in the future may invest, in new business strategies and acquisitions. For example, we acquired FareHarbor in April 2018 to increase our ability to offer local activities and experiences (such as tours and attractions). We also have acquired, and in the future may acquire, businesses similar to those we already operate in an effort to expand our geographic markets, acquire technology or products or to otherwise improve or grow our business. For example, in July 2017 we acquired the Momondo Group and in November 2018 we acquired HotelsCombined, in each case, among other things, to enhance the global reach of our meta-search services.

Such endeavors may involve significant risks and uncertainties, including diversion of management's attention from current operations, greater than expected liabilities and expenses, inadequate return on capital, new risks with which we are not familiar, legal compliance obligations that previously did not apply to us, integration risks and difficulties and unidentified issues not discovered in our investigations and evaluations of those strategies and acquisitions. As a result, entering new businesses involves risks and costs that could, if realized, have an adverse effect on our business, reputation, results of operations, profit margins, cash flows or financial condition, as well as on our ability to achieve the expected benefits of any such investments or acquisitions.

We may decide to make minority investments, including through joint ventures, in which we have limited or no management or operational control. The controlling person in such a case may have business interests, strategies or goals that are inconsistent with ours, and decisions of the company or venture in which we invested may result in harm to our reputation or business or adversely affect the value of our investment. A substantial portion of our goodwill and intangible assets were acquired in acquisitions. If we determine that any of our goodwill and intangible assets, or any goodwill or intangible assets acquired in future transactions, experiences a decline in value, we may be required to record, as we have in the past, an impairment, which could materially adversely affect our results of operations. Further, we may issue shares of our common stock in these transactions, which could result in dilution to our stockholders.

We may not be able to successfully integrate acquired businesses or combine internal businesses.

The integration of acquired businesses requires significant time and resources, and we may not manage these processes successfully. Further, as our businesses develop and market conditions change, we have integrated businesses that had been managed independently and integrated certain functions across businesses and we may do so in the future. These integrations may be of varying degree, depending on many factors such as business compatibility, strategic goals or geographic location, among others. Integrations are complex, often involve additional or unexpected costs and create a variety of issues and risks, including:

- disruption or harm to the businesses involved;
- disruption to our other businesses, including as a result of the need for management to spend time and attention on the integration;
- difficulty combining different company cultures; systems; reporting structures, titles and job descriptions; and compensation schemes;
- problems retaining key personnel, in particular at the acquired or integrated company;
- loss of travel service providers, restaurants or partners of the acquired business; and
- difficulty implementing and maintaining effective controls, procedures and policies.

We may not successfully integrate companies or achieve the strategic, financial or operating objectives of the acquisition or integration, any of which could adversely affect our business, results of operations or the value of our acquisitions.

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

We use open source software in connection with our software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms. We could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor our 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 could be harmful to our business, results of operations or financial condition, and could help our competitors develop services that are similar to or better than ours.

"Cookie" laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's computer or mobile device. Cookies are common tools used by thousands of websites and mobile apps, including ours, to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app), market to consumers and enhance the user experience. Cookies are valuable tools for platforms like ours to improve the customer experience and increase conversion. Many jurisdictions, including the European Union and more recently, California, have adopted regulations governing the use of "cookies." To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device, our ability to serve certain customers in the manner we currently do might be adversely affected and our ability to continue to improve and optimize performance on our platforms might be impaired, either of which could negatively affect a consumer's experience using our services and our business, market share and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease office space facilities for our corporate headquarters in Norwalk, Connecticut, United States of America. We lease additional space, including office space and data center facilities in various locations around the world, to support our operations, the largest being the headquarters of our Booking.com business in Amsterdam, Netherlands. Other than the office building for the future headquarters of Booking.com that is currently under construction in the Netherlands (see the section "Building Construction" within Note 16 to our Consolidated Financial Statements for more details, which is incorporated into this Item 2 by reference thereto), we did not own any real estate at December 31, 2019.

We believe that our existing facilities are adequate to meet our current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further expansion of corporate operations.

Item 3. Legal Proceedings

A description of any material legal proceedings to which we are a party is included in Note 16 to our Consolidated Financial Statements included in this Annual Report on Form 10-K for the year ended December 31, 2019, and is incorporated into this Item 3 by reference thereto.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "BKNG."

Holders

At February 19, 2020, there were approximately 166 stockholders of record of Booking Holdings Inc.'s common stock.

Dividend Policy

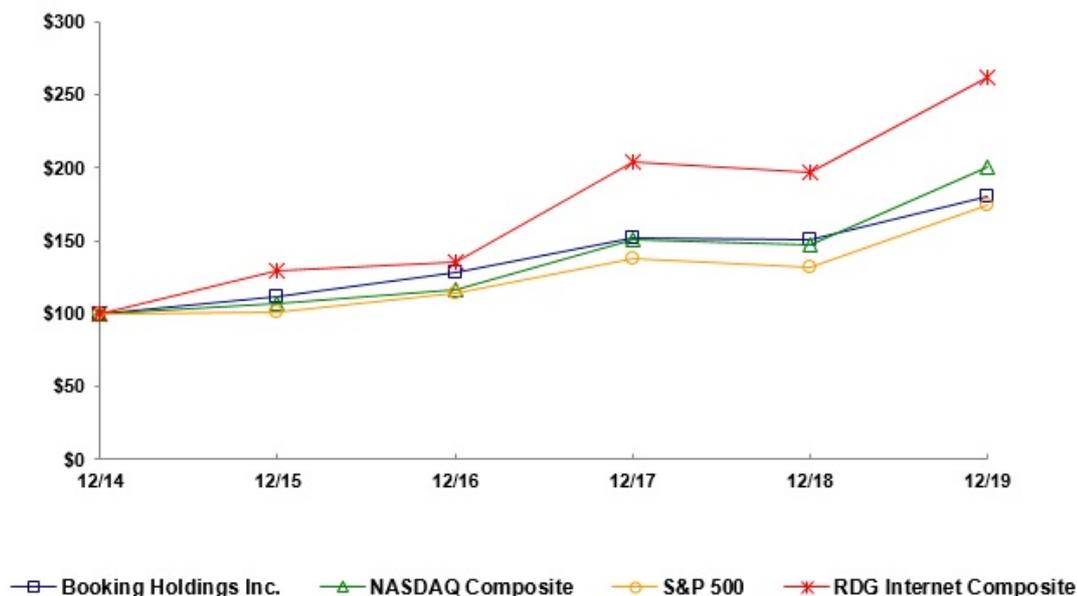
We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to pay any cash dividends for the foreseeable future.

Performance Measurement Comparison

The following graph shows the total stockholder return through December 31, 2019 of an investment of \$100 in cash on December 31, 2014 for our common stock and an investment of \$100 in cash on December 31, 2014 for (i) the NASDAQ Composite Index, (ii) the Standard and Poor's 500 Index and (iii) the Research Data Group ("RDG") Internet Composite Index. The RDG Internet Composite Index is an index of stocks representing the internet industry, including internet software and service companies and e-commerce companies. Historic stock performance is not necessarily indicative of future stock price performance. All values assume reinvestment of the full amount of all dividends and are calculated as of the last day of each month:

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Booking Holdings Inc., the NASDAQ Composite Index,
the S&P 500 Index and the RDG Internet Composite Index



*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Measurement Point December 31	Booking Holdings Inc.	NASDAQ Composite Index	S&P 500 Index	RDG Internet Composite
2014	100.00	100.00	100.00	100.00
2015	111.82	106.96	101.38	128.89
2016	128.58	116.45	113.51	135.45
2017	152.41	150.96	138.29	203.48
2018	151.06	146.67	132.23	197.34
2019	180.12	200.49	173.86	262.03

Issuer Purchases of Equity Securities

The following table sets forth information relating to repurchases of our equity securities during the three months ended December 31, 2019:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2019 —	229,668 ⁽¹⁾	\$ 2,002.76	229,668	\$ 12,418,461,506 ⁽¹⁾
October 31, 2019	210 ⁽²⁾	\$ 1,944.25	N/A	N/A
November 1, 2019 —	230,653 ⁽¹⁾	\$ 1,898.41	230,653	\$ 11,980,588,388 ⁽¹⁾
November 30, 2019	2,160 ⁽²⁾	\$ 1,897.45	N/A	N/A
December 1, 2019 —	222,023 ⁽¹⁾	\$ 1,972.69	222,023	\$ 11,542,606,620 ⁽¹⁾
December 31, 2019	241 ⁽²⁾	\$ 2,022.91	N/A	N/A
Total	684,955	\$ 1,957.53	682,344	\$ 11,542,606,620

(1) Pursuant to a stock repurchase program announced on May 9, 2019, whereby we are authorized to repurchase up to \$15.0 billion of our common stock.

(2) Pursuant to a general authorization, not publicly announced, whereby we are authorized to repurchase shares of our common stock to satisfy employee withholding tax obligations related to stock-based compensation. The table above does not include adjustments in the three months ended December 31, 2019 to previously withheld share amounts (reduction of 13 shares) that reflect changes to the estimates of employee tax withholding obligations.

Item 6. Selected Financial Data**SELECTED FINANCIAL DATA**

The selected consolidated financial data presented below is derived from the Consolidated Financial Statements and related Notes of the Company, and should be read in connection with those statements, some of which are included herein. Selected financial data reflects results of any acquired business from the date of acquisition, including data related to the Momondo Group from its acquisition date of July 24, 2017, FareHarbor from its acquisition date of April 26, 2018 and HotelsCombined from its acquisition date of November 30, 2018. The information set forth below is not necessarily indicative of future results and should be read in conjunction with Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2019⁽¹⁾	2018⁽¹⁾	2017	2016	2015
(In millions, except per share amounts)					
Total revenues	\$ 15,066	\$ 14,527	\$ 12,681	\$ 10,743	\$ 9,224
Cost of revenues	N/A	N/A	242	415	646
Gross profit	N/A	N/A	12,439	10,328	8,578
Total operating expenses ⁽²⁾	9,721	9,186	7,901	7,422	5,319
Operating income ⁽²⁾	5,345	5,341	4,538	2,906	3,259
Total other income (expense) ⁽³⁾	613	(506)	(139)	(193)	(131)
Income tax expense ⁽⁴⁾	1,093	837	2,058	578	577
Net income ^{(2) (3) (4)}	4,865	3,998	2,341	2,135	2,551
Net income applicable to common stockholders per basic common share ^{(2) (3) (4)}	112.93	84.26	47.78	43.14	50.09
Net income applicable to common stockholders per diluted common share ^{(2) (3) (4)}	111.82	83.26	46.86	42.65	49.45
Total assets ⁽⁵⁾	21,402	22,687	25,451	19,839	17,421
Long-term obligations ^{(5) (6)}	11,091	10,347	11,403	8,128	7,186
Total liabilities ⁽⁵⁾	15,469	13,902	14,187	9,990	8,626
Total stockholders' equity	5,933	8,785	11,261	9,820	8,795

- (1) The financial statements for the years ended December 31, 2019 and 2018 are presented in accordance with the current revenue recognition accounting standard adopted on January 1, 2018. Financial statements for all periods prior to January 1, 2018 are presented under the previous revenue recognition accounting standard. Under the current revenue recognition standard, we no longer present "Cost of revenues" or "Gross profit" in our Consolidated Statements of Operations. Therefore total revenues reported in 2019 and 2018 are comparable to gross profit reported in previous years. See Note 2 to our Consolidated Financial Statements for further information.
- (2) Includes a non-cash charge related to an impairment of OpenTable goodwill of \$941 million, which is not tax deductible, for the year ended December 31, 2016. The goodwill impairment charge reduced the 2016 basic and diluted net income per share by \$19.01 and \$18.79, respectively.
- (3) Includes net unrealized gains on marketable equity securities of \$745 million for the year ended December 31, 2019 and net unrealized losses on marketable equity securities of \$367 million for the year ended December 31, 2018. The unrealized gains (losses) on marketable equity securities, net of tax, increased the 2019 basic and diluted net income per share by \$13.52 and \$13.39, respectively, and reduced the 2018 basic and diluted net income per share by \$6.50 and \$6.42, respectively. Pursuant to the adoption of the accounting update on financial instruments in 2018, for periods beginning after December 31, 2017, changes in fair value of marketable equity securities are recognized in net income rather than "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. See Note 2 to our Consolidated Financial Statements for further information.
- (4) Includes income tax benefits of \$17 million and \$46 million for the years ended December 31, 2019 and 2018, respectively, to adjust the 2017 provisional tax expense related to a one-time transitional tax on mandatory deemed repatriation of accumulated unremitted international earnings as a result of the U.S. Tax Cuts and Jobs Act ("Tax Act") enacted in December 2017 (see Note 15 to the Consolidated Financial Statements). The income tax provision for the

year ended December 31, 2017 includes a provisional tax expense of \$1.6 billion related to the transition tax mentioned above and a provisional net tax benefit of \$217 million related to the remeasurement of the Company's U.S. deferred tax assets and liabilities as a result of the Tax Act, which reduced the 2017 basic and diluted net income per share by \$27.47 and \$26.94, respectively.

- (5) Includes, as applicable, operating lease assets of \$620 million, current operating lease liabilities of \$161 million and non-current operating lease liabilities of \$462 million that are reported in the Consolidated Balance Sheet at December 31, 2019. Operating lease assets and liabilities are recognized in the balance sheet as a result of the adoption of the current lease standard on January 1, 2019. See Notes 2 and 10 to our Consolidated Financial Statements for further information.
- (6) Includes convertible debt which is classified as a current liability, when applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements, including the notes to those statements, included elsewhere in this Annual Report on Form 10-K, and the Section entitled "Special Note Regarding Forward-Looking Statements" in this Annual Report on Form 10-K. As discussed in more detail in the Section entitled "Special Note Regarding Forward-Looking Statements," this discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Overview

Our mission is to make it easier for everyone to experience the world. We seek to empower people to cut through travel barriers, such as money, time, language and overwhelming options, so they can use our services to easily and confidently get where they want to go, stay where they want to stay, dine where they want to dine, pay how they want to pay and experience what they want to experience. We connect consumers wishing to make travel reservations with providers of travel services around the world through our online platforms. Through one or more of our brands, consumers can: book a broad array of accommodations (including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties); make a car rental reservation or arrange for an airport taxi; make a dinner reservation; or book a cruise, flight, vacation package, tour or activity. Consumers can also use our meta-search services to easily compare travel reservation information, such as airline ticket, hotel reservation and rental car reservation information, from hundreds of online travel platforms at once. In addition, we offer various other services to consumers and partners, such as certain travel-related insurance products and restaurant management services to restaurants.

We offer these services through six primary consumer-facing brands: Booking.com, KAYAK, priceline, agoda, Rentalcars.com and OpenTable. While historically our brands operated on a largely independent basis and many of them focused on a particular service (e.g., accommodation reservations) or geography, we are increasing the collaboration, cooperation and interdependency among our brands in our efforts to provide consumers with the best and most comprehensive services. We also seek to maximize the benefits of our scale by sharing resources and technological innovations, co-developing new services and coordinating activities in key markets among our brands. For example, Booking.com, the world's leading brand for booking online accommodation reservations (based on room nights booked), offers rental car and other ground transportation services, flights, restaurant reservations, tours and activities reservations and other services, many of which are supported by our other brands. Similarly, hotel reservations available through Booking.com are also generally available through agoda and priceline. See Note 2 to the Consolidated Financial Statements - *Segment Reporting* for information on our operating segments.

Our results include FareHarbor and HotelsCombined since they were acquired in April 2018 and November 2018, respectively. We refer to our company and all of our subsidiaries and brands collectively as "Booking Holdings," the "Company," "we," "our" or "us."

Our business is driven primarily by international results, which consist of the results of Booking.com, agoda and Rentalcars.com and the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using our services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com at a hotel in New York by a consumer in the United States is part of our international results. In 2019, our international business (the substantial majority of which is generated by Booking.com) represented approximately 90% of our consolidated revenues. A significant majority of our revenues, including a significant majority of our international revenues, is earned in connection with facilitating accommodation reservations. See Note 18 to the Consolidated Financial Statements for more geographic information.

We derive substantially all of our revenues from enabling consumers to make travel service reservations. We also earn revenues from credit card processing rebates and customer processing fees, advertising services, restaurant reservations and restaurant management services, and various other services, such as travel-related insurance revenues.

Trends

The recent coronavirus outbreak has had a significant and negative impact on our business during the first quarter of 2020, in particular in China and certain other Asian markets, though concerns about the coronavirus are also negatively impacting travel demand (and therefore our business) generally. In the more affected markets like China, we have seen a significant increase in cancellations and reduction in new bookings, and ADRs have also been negatively affected. The ultimate impact of the outbreak on our business is impossible to predict with certainty, and therefore the full extent to which the coronavirus will impact our business and results of operations is unknown. However, decreased travel demand resulting from the outbreak has had a negative impact, and is likely to have a negative and material impact, on our business, growth and results of operations. For more information, see Part I, Item 1A, Risk Factors - *"Declines or disruptions in the travel industry could adversely affect our business and financial performance."*

Over the last several years, we have experienced significant growth in our accommodation reservation services. We believe this growth is the result of, among other things, the broader shift of travel purchases from offline to online, the widespread adoption of mobile devices and the growth of travel overall. We also believe this growth is the result of the continued innovation and execution by our teams around the world to increase the number and the variety of accommodations we offer consumers, increase and improve content, build distribution and improve the consumer experience on our online platforms, as well as consistently and effectively marketing our brands through performance and brand marketing efforts. These year-over-year growth rates have generally decelerated. Given the size of our accommodation reservation business and the general slowing growth rate of the online travel market discussed below, we expect that our year-over-year growth rates will generally continue to decelerate, though the rate of deceleration may fluctuate and there may be periods of acceleration from time to time.

We are a global business, and online travel growth rates vary across the world depending on numerous factors, including local and regional economic conditions, individual disposable income, access to the internet and adoption of e-commerce. Online travel growth rates have generally slowed in markets such as North America and Europe where online activity is high and consumers have been engaging in e-commerce transactions for many years, while online travel growth rates remain relatively high in markets such as Asia-Pacific where incomes are rising more quickly and the increased availability and use of mobile devices has accelerated the growth of internet usage and travel e-commerce transactions. Over the long-term, we expect online travel growth rates to slow as markets continue to mature. However, we believe that the opportunity to continue to grow our business exists for the markets in which we operate, including in both mature and fast-growing markets. Further, we believe that this opportunity for growth exists because we feel we provide significant value to travel service providers, regardless of size or geography, due to our global reach and online marketing expertise. For example, we believe that accommodation providers of all sizes, from large hotel chains to small, independent hotels and alternative accommodations such as homes and apartments, benefit from using our services, which enable them to reach a broader audience of potential customers.

Our growth has primarily been generated by the worldwide accommodation reservation business of Booking.com, which is our most significant brand, and has been due, in part, to the availability of a large number of properties through Booking.com. Booking.com included approximately 2,580,000 properties on its website at December 31, 2019, consisting of approximately 460,000 hotels, motels and resorts and approximately 2,120,000 homes, apartments and other unique places to stay, compared to approximately 2,180,000 properties (including approximately 436,000 hotels, motels and resorts and approximately 1,744,000 homes, apartments, and other unique places to stay) at December 31, 2018. Booking.com categorizes properties listed on its website as either (a) hotels, motels and resorts, which groups together more traditional accommodation types (including hostels and inns), or (b) homes, apartments and other unique places to stay, also referred to as alternative accommodations, which encompasses all other types of accommodations, including bed and breakfasts, villas, apart-hotels and beyond.

We intend to continue to improve the accommodation choices available for reservation on our platforms, however the growth rate of our accommodations may vary in part as a result of removing accommodations from our platforms from time to time. Many of the newer accommodations we add to our travel reservation services, especially in highly-penetrated markets, may have fewer rooms or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts). Because alternative accommodations are often either a single unit or a small collection of independent units, these properties generally represent more limited booking opportunities than hotels, motels and resorts, which generally have more units to rent per property. Further, alternative accommodations in general may be subject to increased seasonality due to local tourism seasons or other factors or may not be available at peak times due to use by the property owners. We may also experience lower profit margins with respect to these properties due to certain additional costs, such as increased customer service costs, related to offering these accommodations on our platforms. As our alternative accommodation business has grown, these different characteristics have negatively impacted our profit margins and we expect this trend to continue.

Further, to the extent these properties represent an increasing percentage of the properties added to our platforms, we expect that our room nights growth rate and property growth rate will continue to diverge over time (since each such property has fewer booking opportunities). As a result of the foregoing, as the percentage of alternative accommodation properties increases, the number of reservations per property will likely continue to decrease. We believe that continuing to expand the number and variety of accommodations available through our services, in particular Booking.com, will help us to continue to grow our accommodation reservation business.

We are constantly innovating to grow our business by, among other things, providing a best-in-class user experience with intuitive, easy-to-use online platforms (i.e., websites and mobile apps) to ensure that we are meeting the needs of online consumers while aiming to exceed their expectations. As part of these ongoing efforts, we have a long-term strategy to build a more integrated offering of multiple elements of travel, which we refer to as the "Connected Trip." Although we expect our efforts to build the Connected Trip may increase revenue growth over time, we may see a negative impact on our operating margins in the near term as we incur the expenses associated with these investments. Further, to the extent our non-accommodation services grow faster than our accommodation services, whether as part of the Connected Trip or otherwise, our operating margins may be negatively affected if we experience an increasing mix of revenues from lower-margin services.

As part of our strategy to provide more payment options to consumers and travel service providers, increase the number and variety of accommodations available on Booking.com and enable the growth of our in-destination activities businesses, Booking.com is increasingly processing transactions on a merchant basis, where it facilitates payments from travelers for the services provided. This allows Booking.com to process transactions for travel service providers and to increase its ability to offer secure and flexible transaction terms to consumers, such as the form and timing of payment. We believe that adding these types of service offerings will benefit consumers and travel service providers, as well as our gross bookings, room night and earnings growth rates. However, this results in additional expenses for personnel, payment processing, customer chargebacks (including those related to fraud) and other expenses related to these transactions, which are recorded in "Personnel" and "Sales and other expenses" in our Consolidated Statements of Operations, as well as associated incremental revenues in the form of credit card rebates, for example, which are recorded in "Merchant revenues." As this business continues to grow, we expect these expenses to continue to increase, which would negatively impact our operating margins despite increases in associated incremental revenues. Components of revenues and expenses related to our merchant business may be recognized in different periods. These timing factors could impact our operating margins as well as the relationship between our gross bookings and revenues in a particular period, especially as our merchant business increases as a percentage of our overall business.

We compete globally with both online and traditional providers of travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market and has grown rapidly in this area, including by offering a flight meta-search product (Google Flights), a hotel meta-search product (Google Hotel Ads), a vacation rental meta-search product, its "Book on Google" reservation functionality and integrating its hotel and restaurant meta-search products into its Google Maps app, as well as Google Travel, a planning tool which aggregates its flight, hotel and packages products in one website. Our markets are also subject to rapidly changing conditions, including technological developments, consumer behavior changes, regulatory changes and travel service provider consolidation. We expect these trends to continue. For example, we have experienced a significant shift of both direct and indirect business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. In addition, the revenue earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay, have lower accommodation average daily rates ("ADRs") and are not made as far in advance. For more detail regarding the competitive trends and risks we face, see Part I, Item 1, Business - "Competition," Part I, Item 1A, Risk Factors - "*Intense competition could reduce our market share and harm our financial performance.*" and "*Consumer adoption and use of mobile devices creates challenges and may enable device companies such as Google and Apple to compete directly with us.*" and "*We may not be able to keep up with rapid technological or other market changes.*"

Although we believe that providing an extensive collection of properties, excellent customer service and an intuitive, easy-to-use consumer experience are important factors influencing a consumer's decision to make a reservation, for many consumers, particularly in certain markets, the price of the travel service is the primary factor determining whether a consumer will book a reservation. As a result, it is increasingly important to offer travel services, such as accommodation reservations, at competitive prices, whether through discounts, coupons, closed-user group rates or loyalty programs, or otherwise. These

initiatives have resulted and in the future may result in lower ADRs and lower revenue as a percentage of gross bookings. Discounting and couponing coupled with a high degree of consumer shopping behavior is particularly common in Asian markets. In some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order to gain market share.

We have observed a trend of declining constant-currency accommodation ADRs, which we expect to continue, though the rate of decline may fluctuate and there may be periods of stable or increasing ADRs. We believe the trend of declining ADRs is partially driven by the negative impact of the changing geographical mix of our business (e.g., lower ADR regions like Asia-Pacific are generally growing faster than higher ADR regions like Western Europe) as well as pricing pressures within local markets from time to time resulting from competitive conditions, weakening economic conditions or changes in travel patterns. These declining ADR trends have resulted in and may continue to result in our gross bookings growing at a lower rate of growth than our accommodation room nights.

We have established widely used and recognized e-commerce brands through marketing and promotional campaigns. Historically our performance marketing expenses have increased significantly, however, more recently, we have experienced more moderate growth rates, a trend we expect to continue. Our performance marketing expense is primarily related to the use of online search engines (primarily Google), meta-search and travel research services and affiliate marketing to generate traffic to our websites. More recently, growth of some of these channels has slowed. Performance marketing expenses were \$4.4 billion, \$4.4 billion and \$4.2 billion for the years ended December 31, 2019, 2018 and 2017, respectively. We also invested \$548 million, \$509 million and \$435 million in brand marketing for the years ended December 31, 2019, 2018 and 2017, respectively, primarily related to costs associated with producing and airing television advertising, online video advertising (for example, on YouTube and Facebook), online display advertising and other brand marketing. We intend to continue a strategy of promoting brand awareness through both online and offline marketing efforts, including by expanding brand campaigns into additional markets, which we expect will increase our brand marketing expenses over time. We have observed increased brand marketing by other OTCs, meta-search services and travel service providers, which may make our brand marketing efforts more expensive and less effective.

Performance marketing efficiency, expressed as performance marketing expense as a percentage of total revenues, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign currency exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our platforms for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers could increase our costs per click and reduce our performance marketing efficiency. Changes by Google or any of our other search or meta-search partners in how it presents travel search results, including, if applicable, by placing its own offerings at or near the top of search results, or the manner in which it conducts the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our websites.

We have observed a long-term trend of decreasing performance marketing returns on investment ("ROIs"). More recently, we have observed periods of stable or increasing ROIs, however, it is uncertain whether this trend will continue or if ROIs will return to the prior trend of declining over time. We may from time to time, as we did beginning in the third quarter of 2017 through the fourth quarter of 2018, pursue a strategy of improving our performance marketing ROIs, which could negatively impact growth and positively impact performance marketing efficiency and profitability. When evaluating our performance marketing spend, we consider several factors for each channel, such as the customer experience on the advertising platform, the incrementality of the traffic we receive and the anticipated repeat rate from a particular platform, as well as other factors. The amount of business we obtain through each performance marketing channel is impacted by numerous factors, including bidding decisions by us and our competitors (including decisions to optimize performance marketing ROIs) and the marketing efforts and success of those channels to attract consumers and generate demand. See Part I, Item 1A, Risk Factors - *"We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business."* and *"Our business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements."*

In recent years, we experienced significant increases in our cancellation rates, which negatively affected our marketing efficiency and results of operations. Beginning in the third quarter of 2018, our cancellation rates have generally decreased, which has benefited our marketing efficiency and results of operations. We believe that many factors influence cancellation rates, and it is uncertain whether future cancellation rates will continue to decrease, stabilize or return to their prior trend of generally increasing over time.

Perceived or actual adverse economic conditions, including slow, slowing or negative economic growth, high or rising unemployment rates, inflation and weakening currencies, and concerns over government responses such as higher taxes or

tariffs and reduced government spending, could impair consumer spending and adversely affect travel demand. Further, political uncertainty, conditions or events, such as the United Kingdom's decision to leave the European Union ("Brexit"), including uncertainty in the implementation of Brexit and other political concerns can also negatively affect consumer spending and adversely affect travel demand. At times, we have experienced volatility in transaction growth rates, increased cancellation rates and weaker trends in ADRs across many regions of the world, particularly in those countries that appear to be most affected by economic and political uncertainties, which we believe are due at least in part to these macro-economic conditions and concerns. For more detail, see Part I, Item 1A, Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance.*"

These and other macro-economic uncertainties, such as geopolitical tensions and differing central bank monetary policies, have led to significant volatility in the exchange rates between the U.S. Dollar and the Euro, the British Pound Sterling and other currencies. Significant fluctuations in foreign currency exchange rates, stock markets and oil prices can also impact consumer travel behavior.

As noted earlier, our international business represents a substantial majority of our financial results. Therefore, because we report our results in U.S. Dollars, we face exposure to movements in foreign currency exchange rates as the financial results and the financial condition of our international businesses are translated from local currency (principally Euros and British Pounds Sterling) into U.S. Dollars. As a result, both the absolute amounts of and percentage changes in our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are affected by foreign currency exchange rate changes. Our foreign-currency-denominated gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are lower for the year ended December 31, 2019 than they would have been had foreign currency exchange rates remained where they were for the year ended December 31, 2018. For example, total revenues from our international operations grew 4.1% for the year ended December 31, 2019 as compared to the year ended December 31, 2018, but, without the impact of changes in foreign currency exchange rates, grew year-over-year on a constant-currency basis by approximately 8%. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated long-term debt, and accrued interest thereon, provided a hedge against the impact of foreign currency exchange rate fluctuations on the net assets of one of our Euro functional currency subsidiaries. Beginning in the second quarter of 2019, we have only designated certain portions of the aggregate principal value of our Euro-denominated debt as a hedge, and as a result we have recognized foreign currency transaction gains or losses. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument for accounting purposes are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations (see Note 12 to our Consolidated Financial Statements). For more information, see Part I, Item 1A, Risk Factors - "*We are exposed to fluctuations in foreign currency exchange rates.*"

We generally enter into derivative instruments to minimize the impact of short-term foreign currency exchange rate fluctuations on the translation of our consolidated operating results into U.S. Dollars. However, such derivative instruments are short-term in nature and not designed to hedge against currency fluctuations that could impact growth rates for our gross bookings or revenues (see Note 6 to our Consolidated Financial Statements for additional information on our derivative contracts).

Many taxing authorities are increasingly focused on ways to increase tax revenues and have targeted large multinational technology companies in these efforts. As a result, many countries have implemented or are considering adoption of a digital services tax that imposes a tax on revenue earned from digital advertisements and the use of online platforms, even when there is no physical presence in the jurisdiction. Currently rates for this tax range from 2% to 7.5% of revenue deemed generated in the jurisdiction. The digital services taxes currently in effect have negatively impacted our results of operations and if many other countries pass similar legislation, the collective impact of all of these measures could have a materially adverse impact on our results of operations and cash flows. For more information, see Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "*We may have exposure to additional tax liabilities.*"

Many national governments have conducted or are conducting investigations into competitive practices within the online travel industry, and we may be involved or affected by such investigations and their results. Some countries have adopted or proposed legislation that could also affect business practices within the online travel industry. For example, France, Italy, Belgium and Austria have passed legislation prohibiting parity contract clauses in their entirety. Also, a number of governments are investigating or conducting information-gathering exercises with respect to compliance by OTCs with consumer protection laws, including practices related to the display of search results and search ranking algorithms, claims regarding discounts, disclosure of charges and availability, and similar messaging. For more information on these investigations and their potential effects on our business, see Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "*Our business is subject to various competition, anti-trust, consumer protection and online commerce laws,*

rules and regulations around the world, and as the size of our business grows, scrutiny of our business by legislators and regulators in these areas may intensify." In addition to the price parity and consumer protection investigations, from time to time national competition authorities, other governmental agencies, trade associations and private parties take legal actions, including commencing legal proceedings, that may affect our operations. In general, increased regulatory focus on online businesses, including online travel businesses like ours, could result in increased compliance costs or otherwise adversely affect our business.

Seasonality

The majority of our gross bookings are generated in the first half of the year, as consumers plan and reserve their spring and summer vacations in Europe and North America. However, we generally recognize revenue from these bookings when the travel begins (at "check-in"), which can be in a quarter other than when the associated reservations are booked. In contrast, we expense the substantial majority of our marketing activities as the expense is incurred, which, in the case of performance marketing in particular, is typically in the quarter in which associated reservations are booked. As a result of this potential timing difference between when we record marketing expense and when we recognize associated revenue, we experience our highest levels of profitability in the third quarter of the year, which is when we experience the highest levels of accommodation check-ins for the year for our European and North American businesses. The first quarter of the year is typically our lowest level of profitability and may experience additional volatility in earnings growth rates due to these seasonal timing factors. For our Asia-Pacific business, we experience the highest level of accommodation check-ins in the fourth quarter. As the relative growth rates for our businesses fluctuate, the quarterly distribution of our operating results may vary.

For several years, we experienced an expansion of the booking window (the average time between the making of a travel reservation and the travel), which impacts the relationship between our gross bookings (recognized at the time of booking) and our revenues (recognized at the time of check-in). However, we saw a contraction of the booking window throughout 2018 and 2019. Future changes in the length of the booking window will affect the degree to which our gross bookings and revenues occur in the same period and, as a result, whether our gross bookings growth rates and revenue growth rates converge or diverge.

In addition, the date on which certain holidays fall can have an impact on our quarterly results. For example, in 2019, Easter fell on April 21 and Easter-related travel began in the second quarter, when the associated revenue was recognized. By comparison, in 2018, Easter was on April 1 and a meaningful amount of Easter-related travel began in the week leading up to the holiday with the associated revenue being recognized in the first quarter of 2018. As a result of the shift in Easter timing relative to 2018, our first quarter 2019 year-over-year growth rates in revenue, operating income and operating margins were negatively impacted and our second quarter 2019 year-over-year growth rates were positively impacted. The timing of other holidays such as Ramadan can also impact our quarterly year-over-year growth rates.

The impact of seasonality can be exaggerated in the short term by the gross bookings growth rate of the business. For example, in periods where our gross bookings growth rate substantially decelerates, our operating margins typically benefit from relatively less variable marketing expense. In addition, revenue growth is typically less impacted by decelerating gross bookings growth in the near term due to the benefit of revenue related to reservations booked in previous quarters, but any such deceleration would negatively impact revenue growth in subsequent periods. Conversely, in periods where our gross bookings growth rate accelerates, our operating margins are typically negatively impacted by relatively more variable marketing expense. In addition, revenue growth is typically less impacted by accelerating gross bookings growth in the near term, but any such acceleration would positively impact revenue growth in subsequent periods as a portion of the revenue recognized from such gross bookings will occur in future quarters.

Other Factors

We believe that our future success depends in large part on our ability to continue to profitably grow our brands worldwide, and, over time, to offer other travel and travel-related services. Factors beyond our control, such as oil prices, stock market volatility, terrorist attacks, unusual or extreme weather or natural disasters such as earthquakes, hurricanes, tsunamis, floods, fires, droughts and volcanic eruptions, travel-related health concerns including pandemics and epidemics such as coronaviruses, Ebola and Zika, political instability, changes in economic conditions, wars and regional hostilities, imposition of taxes, tariffs or surcharges by regulatory authorities, changes in trade policies or trade disputes, changes in immigration policies or travel-related accidents or increased focus on the environmental impact of travel, can disrupt travel, limit the ability or willingness of travelers to visit certain locations or otherwise result in declines in travel demand. These kinds of events have negatively affected our business and results of operations in the past and may do so again in the future. Because these events or concerns, and the full impact of their effects, are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers, and therefore demand for our services and our relationships with travel service providers and other

partners, any of which can adversely affect our business and results of operations. See Part I, Item 1A, Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance.*"

We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve long-term operating results, even if those expenditures create pressure on operating margins. We have experienced pressure on operating margins as we invest in initiatives to drive future growth. We also intend to broaden the scope of our business, and to that end, we explore strategic alternatives from time to time in the form of, among other things, acquisitions. As the overall size of our business has grown, the competitive pressure to innovate will encompass a wider range of services and technologies, including services and technologies that may be outside of our historical core business, and our ability to keep pace may slow. Potential competitors, such as emerging start-ups, may be able to innovate and focus on developing a particularly new product or service faster than we can or may foresee consumer need for new services or technologies before us. Some of our larger competitors or potential competitors have more resources or more established or diversified relationships with consumers than we do, and they could use these advantages in ways that could affect our competitive position, including by making acquisitions, entering or investing in travel reservation businesses, investing in research and development, and competing aggressively for highly-skilled employees. For example, because consumers often utilize other online services more frequently than online travel services, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost-effectively acquire customers for its online travel services than we can. Our goal is to grow revenue and achieve healthy operating margins in an effort to maintain profitability. The uncertain and highly competitive environment in which we operate makes the prediction of future results of operations difficult, and accordingly, we may not be able to sustain revenue growth and profitability.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Our significant accounting policies and estimates are more fully described in Note 2 to our Consolidated Financial Statements. Certain of our accounting estimates are particularly important to our financial position and results of operations and require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. We evaluate our estimates on an ongoing basis. Estimates are based on, among other things, historical experience, terms of existing contracts, our observance of trends in the travel industry and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies that involve significant estimates and judgments of management include the following:

- *Valuation of Goodwill and Other Long-Lived Assets.* The application of the acquisition accounting for business combinations requires the use of significant estimates and assumptions to determine the fair value of the assets acquired and liabilities assumed. Our estimates of the fair value are based upon assumptions that we believe are reasonable. When we deem appropriate, we utilize assistance from a third-party valuation firm. The consideration transferred is allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The excess of the consideration transferred over the net of the amounts allocated to the identifiable assets acquired and liabilities assumed is recognized as goodwill. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date.

We review goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. A substantial portion of our intangible assets and goodwill relates to the acquisitions of OpenTable and KAYAK. At September 30, 2019, we performed our annual goodwill impairment testing and concluded that there was no impairment of goodwill and that the fair values of our reporting units substantially exceeded their respective carrying values at September 30, 2019. Since the annual impairment test, there have been no events or changes in circumstances to indicate a potential impairment to our goodwill.

We review long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The assessment of possible impairment is based upon our ability to recover the carrying value of the assets from the estimated undiscounted future net cash flows, before interest and taxes, of the related asset group. We did not identify any impairment indicators for our long-lived assets at December 31, 2019.

- *Income Taxes.* We determine our tax expense based on our income and statutory tax rates applicable in the various jurisdictions in which we operate. Due to the complex nature of tax legislation and frequent changes with such associated legislation, significant judgment is required in computing our tax expense and determining our tax positions. In December 2017, the U.S. government enacted the U.S. Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made significant changes to U.S. federal tax law, including a reduction in the U.S. federal statutory tax rate from 35% to 21%, effective January 1, 2018. The Tax Act imposed a one-time deemed repatriation tax on accumulated unremitted international earnings, to be paid over eight years.

The Tax Act also introduced in 2018 a tax on 50% of global intangible low-taxed income ("GILTI"), which is income determined to be in excess of a specified routine rate of return, and a base erosion and anti-abuse tax ("BEAT") aimed at preventing the erosion of the U.S. tax base. We have adopted an accounting policy to treat taxes on GILTI as period costs.

In December 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued by the Securities and Exchange Commission to address the application of U.S. GAAP in situations when the registrant does not have all the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, to the extent a registrant can reasonably estimate the effects of the Tax Act, a provisional tax amount can be recorded, but must have been finalized prior to December 22, 2018. In 2018, we completed our accounting for the income tax effects of the Tax Act based on technical guidance issued by U.S. federal and state tax authorities available at that time, which resulted in an income tax benefit of \$48 million. In 2019, as a result of additional technical guidance issued by U.S. federal and state tax authorities, we recorded an additional income tax benefit of \$17 million to adjust our income tax expense relating to the U.S. federal one-time deemed repatriation liability, as well as U.S. state income taxes associated with the mandatory deemed repatriation.

We do not intend to indefinitely reinvest our international earnings that were subject to U.S. taxation pursuant to the mandatory deemed repatriation or subject to U.S. taxation as GILTI.

We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of temporary differences and tax planning strategies and record valuation allowances as required.

We are subject to ongoing tax examinations and assessments in various jurisdictions. To date, we have been audited in several taxing jurisdictions with no significant impact on our results of operations. Although we believe that our tax filing positions comply with applicable laws, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes or we may adjust previously recorded tax expense to reflect examination results. See Note 16 to our Consolidated Financial Statements for further information.

Recent Accounting Pronouncements - See Note 2 to our Consolidated Financial Statements for details, which is incorporated into this Item 7 by reference thereto.

Results of Operations

Year Ended December 31, 2019 compared to Year Ended December 31, 2018

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Operating and Statistical Metrics

Our financial results are driven by certain operating metrics that encompass the booking and other business activity generated by our travel and travel-related services. Specifically, reservations of accommodation room nights, rental car days and airline tickets capture the volume of units booked through our OTC brands by our travel reservation services customers. Gross bookings is an operating and statistical metric that captures the total dollar value, generally inclusive of taxes and fees, of all travel services booked through our OTC brands by our customers, net of cancellations, and is widely used in the travel business. Our non-OTC brands (KAYAK and OpenTable) have different business metrics from those of our OTC brands and therefore search queries through KAYAK and restaurant reservations through OpenTable do not contribute to our gross bookings.

Accommodation room nights, rental car days and airline tickets reserved through our services for the years ended December 31, 2019 and 2018 were as follows:

	Year Ended December 31, (in millions)		Increase
	2019	2018	
Room nights	845	760	11.2%
Rental car days	77	73	4.6%
Airline tickets	7	7	3.7%

Accommodation room night reservations increased by 11.2% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to our investments in marketing channels, providing a continuously improving consumer experience and improving the accommodation choices we offer consumers, as well as the overall growth in the travel industry and the ongoing shift from offline to online for travel bookings. The increase for the year ended December 31, 2019, compared to the year ended December 31, 2018 was also positively impacted by a decrease in cancellation rates.

Rental car day reservations increased by 4.6% for the year ended December 31, 2019, compared to the year ended December 31, 2018, due primarily to an increase in rental car day reservations at Rentalcars.com as a result of the integration with Booking.com.

Airline ticket reservations increased by 3.7% for the year ended December 31, 2019, compared to the year ended December 31, 2018, due to the growth of priceline's vacation packages product.

Gross bookings resulting from reservations of accommodation room nights, rental car days and airline tickets made through our agency and merchant models for the years ended December 31, 2019 and 2018 were as follows (numbers may not total due to rounding):

	Year Ended December 31, (in millions)		Increase (decrease)
	2019	2018	
Agency	\$ 70,651	\$ 73,919	(4.4)%
Merchant	25,791	18,812	37.1 %
Total	\$ 96,443	\$ 92,731	4.0 %

Gross bookings increased by 4.0% for the year ended December 31, 2019, compared to the year ended December 31, 2018 (growth on a constant-currency basis was approximately 8%), almost entirely due to growth of 11.2% in accommodation

room night reservations, partially offset by the negative impact of foreign currency exchange rate fluctuations and a 2% decrease in accommodation ADRs on a constant-currency basis for the year ended December 31, 2019, compared to the year ended December 31, 2018. We believe that unit growth rates and growth in total gross bookings on a constant-currency basis, which excludes the impact of foreign currency exchange rate fluctuations, are important measures to understand the fundamental performance of the business.

Agency gross bookings are derived from travel-related transactions where we do not facilitate payments from travelers for the travel services provided. Agency gross bookings decreased by 4.4% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to a decrease in gross bookings from agency accommodation room night reservations at Booking.com, primarily resulting from the growth of its merchant accommodation reservation services, as well as the aforementioned negative impact of foreign currency exchange rate fluctuations.

Merchant gross bookings are derived from services where we facilitate payments from travelers for the travel services provided. Merchant gross bookings increased by 37.1% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to growth in gross bookings from our merchant accommodation reservation services at Booking.com and agoda, partially offset by the aforementioned negative impact of foreign currency exchange rate fluctuations. Booking.com has been expanding its merchant accommodation reservation services to, among other reasons, provide more payment options to consumers and travel service providers, increase the number and variety of accommodations available on Booking.com and enable the growth of its in-destination activities businesses.

Revenues

Online travel reservation services

Substantially all of our revenues are generated by providing online travel reservation services, which facilitate online travel purchases between travel service providers and travelers.

Revenues from online travel reservation services are classified into two categories:

- *Agency.* Agency revenues are derived from travel-related transactions where we do not facilitate payments from travelers for the services provided. Agency revenues consist almost entirely of travel reservation commissions. Substantially all of our agency revenue is from Booking.com agency accommodation reservations.
- *Merchant.* Merchant revenues are derived from travel-related transactions where we facilitate payments from travelers for the services provided, generally at the time of booking. Merchant revenues include (1) travel reservation commissions and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with our merchant reservation services; (2) credit card processing rebates and customer processing fees; and (3) ancillary fees, including travel-related insurance revenues and certain global distribution system ("GDS") reservation booking fees. Substantially all merchant revenues are derived from transactions where travelers book accommodation reservations or rental car reservations.

Advertising and other revenues

Advertising and other revenues are derived primarily from (1) revenues earned by KAYAK for (a) sending referrals to OTCs and travel service providers and (b) advertising placements on its platforms; and (2) revenues earned by OpenTable for (a) restaurant reservation services (fees paid by restaurants for diners seated through OpenTable's online reservation service) and (b) subscription fees for restaurant management services.

	Year Ended December 31,		Increase (decrease)
	(in millions)		
	2019	2018	
Agency revenues	\$ 10,117	\$ 10,480	(3.5)%
Merchant revenues	3,830	2,987	28.2 %
Advertising and other revenues	1,119	1,060	5.6 %
Total revenues	\$ 15,066	\$ 14,527	3.7 %

Total revenues for the year ended December 31, 2019, as compared to the year ended December 31, 2018, respectively, increased by 3.7% (growth on a constant-currency basis was approximately 7%). Substantially all of the year-over-year increase was related to revenues from our accommodation reservation services.

Agency revenues decreased by 3.5% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to decreased gross bookings from agency accommodation room night reservations at Booking.com, primarily resulting from the growth of its merchant accommodation reservation services.

Merchant revenues increased by 28.2% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the increases in merchant accommodation reservation services.

Advertising and other revenues increased by 5.6% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the inclusion of \$67 million in revenue related to HotelsCombined for the year ended December 31, 2019, compared to \$4 million in revenue related to HotelsCombined since its acquisition in November 2018 for the year ended December 31, 2018.

Total revenues as a percentage of gross bookings was 15.6% for the year ended December 31, 2019 as compared to 15.7% for the year ended December 31, 2018.

Our international businesses accounted for approximately \$13.5 billion of our total revenues for the year ended December 31, 2019, compared to \$13.0 billion for the year ended December 31, 2018. Total revenues attributable to our international businesses for the year ended December 31, 2019 increased by 4.1%, compared to the year ended December 31, 2018 (growth on a constant-currency basis was approximately 8%). Total revenues attributable to our U.S. businesses were relatively flat for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Operating Expenses

Marketing

	Year Ended December 31, (in millions)		Increase (decrease)
	2019	2018	
Performance marketing	\$ 4,419	\$ 4,447	(0.6)%
% of Total revenues	29.3%	30.6%	
Brand marketing	\$ 548	\$ 509	7.5 %
% of Total revenues	3.6%	3.5%	

We rely on performance marketing channels to generate a significant amount of traffic to our websites. Performance marketing expenses consist primarily of the costs of: (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) other performance-based marketing and incentives. For the year ended December 31, 2019, our performance marketing expense growth rate was reduced by foreign currency exchange rate fluctuations and slowing growth in performance marketing channels. We adjust our performance marketing spend based on our growth and profitability objectives and the expected ROIs in our performance marketing channels. Performance marketing expense as a percentage of total revenues decreased for the year ended December 31, 2019, compared to the year ended December 31, 2018, due to changes in the share of traffic by channel, primarily related to an increase in the share of direct traffic, and increased performance marketing ROIs.

Brand marketing expenses consist primarily of television advertising and online video and display advertising (including the airing of our television advertising online), as well as other marketing spend such as public relations and sponsorships. For the year ended December 31, 2019, brand marketing expenses increased by 7.5% compared to the year ended December 31, 2018, primarily due to increased brand marketing expenses at Booking.com in the first half of 2019 in order to increase brand awareness and grow the number of customers that come directly to the Booking.com platforms.

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Sales and other expenses	\$ 955	\$ 830	15.1%
% of Total revenues	6.3%	5.7%	

Sales and other expenses consist primarily of: (1) credit card and other payment processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) customer chargeback provisions and fraud prevention expenses associated with merchant transactions; (4) customer relations costs; and (5) provisions for bad debt, primarily related to agency accommodation commission receivables. For the year ended December 31, 2019, sales and other expenses, which are substantially variable in nature, increased compared to the year ended December 31, 2018 due primarily to increases in our merchant transaction volumes, partially offset by lower chargeback expense and lower bad debt provisions.

Personnel

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Personnel	\$ 2,248	\$ 2,042	10.0%
% of Total revenues	14.9%	14.1%	

Personnel expenses consist of compensation to our personnel, including salaries, stock-based compensation, bonuses, payroll taxes, and employee health and other benefits. Personnel expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to an increase in aggregate salaries of \$132 million related to headcount growth to support our businesses, partially offset by lower bonus expenses. The increase in personnel expenses was also due to an accrual of \$61 million recorded in 2019 to correct an immaterial error related to the nonpayment in prior periods of a wage-related tax under Netherlands' law on compensation paid to certain highly-compensated former employees in the year of their separation from employment with Booking.com. Stock-based compensation expense was \$308 million for the year ended December 31, 2019, compared to \$317 million for the year ended December 31, 2018. Headcount increased, primarily at agoda and Booking.com, in the areas of customer service and information technology to support transaction growth and various business initiatives, such as alternative accommodations, marketing, payments and in-destination experiences.

General and Administrative

	Year Ended December 31, (in millions)		
	2019	2018	Increase
General and administrative	\$ 797	\$ 699	14.2%
% of Total revenues	5.3%	4.8%	

General and administrative expenses consist primarily of: (1) occupancy and office expenses; (2) personnel-related expenses such as travel, relocation, recruiting and training expenses; (3) fees for outside professionals, including litigation expenses; and (4) indirect taxes such as travel transaction taxes and digital services taxes. General and administrative expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, due to increased professional fees, increased indirect taxes including \$36 million related to French digital service taxes, higher occupancy and office expenses and personnel-related expenses associated with increased headcount and outside consultants to support the expansion of our international businesses.

	Year Ended December 31, (in millions)		Increase
	2019	2018	
Information technology	\$ 285	\$ 233	22.3%
% of Total revenues	1.9%	1.6%	

Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) outsourced data center and cloud computing costs; (3) payments to contractors; and (4) data communications and other expenses associated with operating our services. Information technology expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, due to increased outsourced data center and cloud computing costs to support the growth in our businesses, software fees and payments to contractors.

Depreciation and Amortization

	Year Ended December 31, (in millions)		Increase
	2019	2018	
Depreciation and amortization	\$ 469	\$ 426	10.0%
% of Total revenues	3.1%	2.9%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) depreciation of computer equipment; (3) amortization of internally-developed and purchased software; and (4) depreciation of leasehold improvements, furniture and fixtures and office equipment. Depreciation and amortization expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily as a result of increases of \$22 million in data center equipment depreciation expenses and \$18 million of internally-developed software amortization expenses due to higher capital expenditures and capitalized software development costs to support growth and geographic expansion.

Other Income (Expense)

	Year Ended December 31, (in millions)		Increase (decrease)
	2019	2018	
Interest income	\$ 152	\$ 187	(18.5)%
Interest expense	(266)	(269)	(1.2)%
Net unrealized gains (losses) on marketable equity securities	745	(367)	302.7 %
Foreign currency transactions and other	(18)	(57)	(68.2)%
Total	\$ 613	\$ (506)	221.2 %

Interest income decreased for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to lower average invested balances of marketable securities and lower yields as well as increased usage of investments classified as cash equivalents.

Net unrealized gains (losses) on marketable equity securities for the year ended December 31, 2019 and December 31, 2018 principally related to our equity investments in Trip.com Group and Meituan Dianping (see Note 5 to our Consolidated Financial Statements for further information).

Foreign currency transactions and other includes foreign currency gains or losses on derivative contracts, foreign currency transaction gains or losses, including costs related to foreign currency transactions, and net realized gains or losses on investments and other income or expense. Foreign currency transactions and other includes foreign currency losses on derivative contracts of \$19 million and \$44 million and foreign currency transaction losses of \$13 million and \$9 million for

the years ended December 31, 2019 and 2018, respectively. In addition, foreign currency transactions and other includes a net realized gain of \$11 million for the year ended December 31, 2019 from sales of investments in debt securities.

Income Taxes

	Year Ended December 31,		Increase
	(in millions)		
	2019	2018	
Income tax expense	\$ 1,093	\$ 837	30.6%
% of Earnings before income taxes	18.3%	17.3%	

Our 2019 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax (discussed below), partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with our current year international earnings, resulting from the enactment of the Tax Act, as well as certain non-deductible expenses. Our 2018 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax and the \$46 million benefit resulting from the adjustment to our 2017 provisional income tax expense due to our completion of the accounting for the income tax effects of the Tax Act, partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with our 2018 international earnings, resulting from the enactment of the Tax Act, as well as certain non-deductible expenses.

Our effective tax rate was higher for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily as a result of (1) higher U.S. gains from equity securities that contributed to a lower international jurisdictional earnings mix, which lessened the impact of the benefit of the Netherlands Innovation Box Tax, and (2) the effect of the higher tax benefit recorded during the year ended December 31, 2018 to adjust our 2017 provisional income tax expense related to the Tax Act. These increases in our effective tax rate were partially offset by higher U.S. federal tax credits, lower U.S. federal and state tax associated with our current year international earnings, and certain lower non-deductible expenses.

A portion of Booking.com's earnings during the years ended December 31, 2019 and 2018 qualified for Innovation Box Tax treatment under Dutch tax law, which had a significant beneficial impact on our effective tax rates for those periods. In 2019, the Dutch government approved a reduction in its corporate income tax rate from 25% to 21.7%, effective in 2021. Furthermore, the Dutch government has proposed an increase in the Innovation Box Tax rate from 7% to 9%, which, if enacted, could be effective beginning in 2021. While we expect Booking.com to continue to qualify for Innovation Box Tax treatment with respect to a portion of its earnings for the foreseeable future, the loss of the Innovation Box Tax benefit, whether due to a change in tax law or a determination by the Dutch government that Booking.com's activities are not innovative or for any other reason, would substantially increase our effective tax rate and adversely impact our results of operations and cash flows. See Part I, Item 1A, Risk Factors - "We may not be able to maintain our 'Innovation Box Tax' benefit."

Results of Operations

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

For a comparison of our results of operations for the fiscal years ended December 31, 2018 and 2017, see [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#), of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 27, 2019.

Liquidity and Capital Resources

At December 31, 2019, we had \$11.8 billion in cash, cash equivalents and short-term and long-term investments, of which approximately \$4.7 billion is held by our international subsidiaries and is denominated primarily in U.S. Dollars, Euros and, to a lesser extent, British Pounds Sterling and other currencies. Cash equivalents and short-term and long-term investments are principally comprised of U.S. and international corporate bonds, U.S. and international government securities, money market funds, time deposits and certificates of deposit, convertible debt securities and American Depositary Shares ("ADSs") of Trip.com Group, Meituan Dianping equity securities and our investments in private companies. In August 2019, \$500 million of Trip.com Group convertible notes were repaid on maturity. See Notes 5 and 6 to our Consolidated Financial Statements for further information.

In the first quarter of 2020 and 2019, we made prepayments of \$717 million and \$774 million, respectively, which represent a portion of our Dutch income tax liability, to earn prepayment discounts.

At December 31, 2019, we had a remaining transition tax liability of \$1.1 billion as a result of the Tax Act, which included \$1.0 billion reported as "Long-term U.S. transition tax liability" and \$53 million included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet. This liability will be paid over the next seven years. Generally, in accordance with the Tax Act, future repatriation of our international cash will not be subject to a U.S. federal income tax liability as a dividend, but will be subject to U.S. state income taxes and international withholding taxes, which have been accrued by us. See Note 15 to our Consolidated Financial Statements for further information.

In August 2019, we entered into a \$2.0 billion five-year unsecured revolving credit facility with a group of lenders. The revolving credit facility provides for the issuance of up to \$80 million of letters of credit as well as borrowings of up to \$100 million on same-day notice, referred to as swingline loans. The proceeds of loans made under the facility can be used for working capital and general corporate purposes, including acquisitions, share repurchases and debt repayments. At December 31, 2019, there were no borrowings outstanding and \$5 million of letters of credit issued under the facility. Upon entering into the new revolving credit facility in August 2019, we terminated the \$2.0 billion five-year revolving credit facility entered into in June 2015. We made several short-term borrowings under this prior revolving credit facility in the first half of 2019 totaling \$400 million, all of which were repaid prior to June 30, 2019. See Note 12 to our Consolidated Financial Statements for further information.

Our Convertible Senior Notes due June 2020 (the "2020 Notes") are reported as current liabilities in the Consolidated Balance Sheet at December 31, 2019. The holders will have the right to convert all or any portion of the 2020 Notes starting on March 15, 2020 regardless of our stock price (see Note 12 to the Consolidated Financial Statements).

During the year ended December 31, 2019, we repurchased 4,444,944 shares of our common stock for an aggregate cost of \$8.2 billion. At December 31, 2019, we had a remaining aggregate amount of \$11.5 billion authorized by our Board of Directors to repurchase our common stock. We have continued to make repurchases of our common stock in the first quarter of 2020 and may continue to make additional repurchases of our common stock from time to time, depending on prevailing market conditions, alternate uses of capital and other factors.

In September 2016, we signed a turnkey agreement to construct an office building for Booking.com's future headquarters in the Netherlands for 270 million Euros. Upon signing this agreement, we paid 43 million Euros for the acquired land-use rights. In addition, since signing the turnkey agreement we have made several progress payments principally related to the construction of the building. At December 31, 2019, we have a remaining obligation of 109 million Euros (\$123 million) related to the building construction, which will be paid through mid-2022, when we anticipate construction will be complete. In addition to the turnkey agreement, we have a remaining obligation at December 31, 2019 to pay 71 million Euros (\$80 million) over the remaining term of the acquired land lease. We will also make additional capital expenditures to fit out and furnish the office space. See Note 16 to our Consolidated Financial Statements.

Cash Flow Analysis

Net cash provided by operating activities decreased by \$473 million, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the payment of \$403 million in 2019 to French tax authorities to preserve our right in order to contest certain tax assessments in court (see Note 16 to our Consolidated Financial Statements).

Net cash provided by operating activities for the year ended December 31, 2019, was \$4.9 billion, resulting from net income of \$4.9 billion and a favorable impact from adjustments for non-cash items of \$541 million, partially offset by an unfavorable net change in working capital and long-term assets and liabilities of \$541 million. Non-cash items were

principally associated with net unrealized gains on marketable equity securities, depreciation and amortization, stock-based compensation expense, operating lease amortization and the provision for uncollectible accounts and chargebacks. The changes in working capital for the year ended December 31, 2019, reflecting the increase in business volume and growth in Booking.com's merchant transactions, were primarily related to a \$480 million increase in accounts payable, accrued expenses and other current liabilities, offset by a \$323 million increase in accounts receivable and \$263 million increase in prepaid expenses and other current assets. Net change in other long-term assets and liabilities of \$399 million was primarily due to the increase in other long-term assets related to the payment of \$403 million to French tax authorities in order to preserve our right to contest the assessments in court (see Note 16 to our Consolidated Financial Statements).

Net cash provided by operating activities for the year ended December 31, 2018 was \$5.3 billion, resulting from net income of \$4.0 billion, a favorable impact from adjustments for non-cash items of \$1.2 billion and a favorable net change in working capital and long-term assets and liabilities of \$125 million. Non-cash items were principally associated with net unrealized losses on marketable equity securities, stock-based compensation expense, depreciation and amortization and the provision for uncollectible accounts and chargebacks. The changes in working capital for the year ended December 31, 2018, reflecting the increase in business volume and growth in Booking.com's merchant transactions, were primarily related to a \$635 million increase in accounts payable, accrued expenses and other current liabilities, offset by a \$319 million increase in accounts receivable and a \$201 million increase in prepaid expenses and other current assets.

Net cash provided by investing activities for the year ended December 31, 2019 was \$7.1 billion, principally resulting from the proceeds from sales and maturities of investments of \$8.1 billion, net of purchases of \$0.7 billion. Net cash provided by investing activities for the year ended December 31, 2018 was \$2.2 billion, principally resulting from the proceeds from sales and maturities of investments of \$5.6 billion, net of purchases of \$2.7 billion, partially offset by acquisitions and other investments, net of cash acquired, of \$273 million. Cash invested in the purchase of property and equipment was \$368 million and \$442 million for the years ended December 31, 2019 and 2018, respectively, which primarily related to additional data center capacity and new offices to support growth and geographic expansion related to our Booking.com and agoda brands. Cash invested in the purchase of property and equipment for the years ended December 31, 2019 and 2018 includes payments of \$51 million and \$78 million, respectively, related to the turnkey agreement for constructing Booking.com's future headquarters.

Net cash used in financing activities for the year ended December 31, 2019 was \$8.2 billion, almost entirely resulting from payments for the repurchase of common stock. Net cash used in financing activities for the year ended December 31, 2018 was \$7.4 billion, which primarily consisted of payments for the repurchase of common stock of \$6.0 billion and payments for the conversion of senior notes of \$1.5 billion.

For a discussion of our liquidity and capital resources as of and our cash flow activities for the fiscal year ended December 31, 2017, see [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#), of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 27, 2019.

Contingencies

French tax authorities conducted an audit of Booking.com for the years 2003 through 2012 and are conducting audits for the years 2013 through 2018. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income and value-added taxes. In December 2015, the French tax authorities issued Booking.com assessments related to tax years 2003 through 2012 for approximately 356 million Euros, the majority of which represents penalties and interest. As a result of a formal demand from the French tax authorities for payment of the amounts assessed for the years 2003 through 2012, in January 2019, we paid the assessments of approximately 356 million Euros (\$403 million) in order to preserve our right to contest those assessments in court. The payment, which is included in "Other assets" in the Consolidated Balance Sheet at December 31, 2019, does not constitute an admission that we owe the taxes and will be refunded (with interest) to us to the extent we prevail. If we are unable to resolve the matter with the French tax authorities, we plan to challenge the assessments in the French courts. In December 2019, the French tax authorities issued an additional assessment of 70 million Euros (\$79 million), including interest and penalties, for the 2013 year asserting that Booking.com has taxable income in France attributable to a permanent establishment in France. Furthermore, the French tax authorities have issued assessments totaling 39 million Euros (\$44 million), including interest and penalties, for certain tax years between 2011 and 2015 on Booking.com's French subsidiary asserting that the subsidiary did not receive sufficient compensation for the services it rendered to Booking.com in the Netherlands. We have not recorded a liability in connection with any of the French tax assessments as we believe that Booking.com has been, and continues to be, in compliance with French tax law, and we are contesting the assessments. Additional assessments could result when the French tax authorities complete the outstanding audits. See Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "We may have exposure to additional tax liabilities."

Contractual Obligations and Commercial Commitments

The following table represents our material contractual obligations and commercial commitments at December 31, 2019:

	By Period (in millions)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating lease obligations ⁽¹⁾	\$ 690	\$ 172	\$ 251	\$ 104	\$ 163
Building construction obligation ⁽²⁾	123	55	68	—	—
Purchase obligations ⁽³⁾	79	65	14	—	—
Senior notes ⁽⁴⁾	9,639	1,170	3,293	1,867	3,309
U.S. transition tax liability	1,074	53	198	308	515
Letters of credit and bank guarantees ⁽⁵⁾	160	118	23	1	18
Revolving credit facility ⁽⁶⁾	9	2	4	3	—
Total ⁽⁷⁾	<u>\$ 11,774</u>	<u>\$ 1,635</u>	<u>\$ 3,851</u>	<u>\$ 2,283</u>	<u>\$ 4,005</u>

(1) Includes the land lease for Booking.com's future headquarters. See Notes 10 and 16 to our Consolidated Financial Statements for further details.

(2) See Note 16 to our Consolidated Financial Statements for further details.

(3) Represents significant noncancellable contractual obligations individually greater than \$10 million. The obligations are primarily related to sponsorship and cloud hosting arrangements.

(4) Represents the aggregate principal amount of our senior notes outstanding at December 31, 2019 and cumulative interest to maturity of \$928 million. Convertible debt does not reflect the market value in excess of the outstanding principal amount because we can settle the conversion premium amount in cash or shares of common stock at our option. See Note 12 to our Consolidated Financial Statements.

(5) Standby letters of credit and bank guarantees issued on behalf of the Company at December 31, 2019 are primarily related to payment guarantees to third-party payment processors (see Notes 12 and 16).

(6) Represents commitment fees on undrawn balances available under the revolving credit facility and fees on outstanding letters of credit at December 31, 2019.

(7) We reported "Other long-term liabilities" of \$104 million in the Consolidated Balance Sheet at December 31, 2019, the majority of which relates to unrecognized tax benefits of \$51 million (see Note 15 to our Consolidated Financial Statements). We have excluded these long-term liabilities from the contractual obligations table above as a variety of factors could affect the timing of payments for the liabilities; therefore, we cannot reasonably estimate the timing of such payments. We believe that these matters will likely not be resolved in the next twelve months and, accordingly, we have classified the estimated liability as non-current in the Consolidated Balance Sheet.

In 2018, we entered into an agreement to sign a future lease related to approximately 222,000 square feet of office space in the city of Manchester in the United Kingdom for the future headquarters of Rentalcars.com. Our obligation to execute the lease is conditional upon the lessor completing certain activities, which are expected to be completed in 2021. If these activities are completed, the lease will commence for a term of approximately 13 years and we will have a lease obligation of approximately 65 million British Pounds Sterling (\$86 million), excluding lease incentives. We will also make capital expenditures to fit out and furnish the office space. The obligation is not included in the table of contractual obligations presented above.

We believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, capital expenditures and other obligations through at least the next twelve months. However, if during that period or thereafter, we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned capital expenditures and scale back the scope of our business plans, either of which could have a material adverse effect on our future financial condition or results of operations. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then current stockholders would be diluted. We may not generate sufficient cash flow from operations in the future, revenue growth

or sustained profitability may not be realized, and future borrowings or equity sales may not be available in amounts sufficient to make anticipated capital expenditures, finance our strategies or repay our indebtedness.

Off-Balance Sheet Arrangements

At December 31, 2019, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to several types of market risk: changes in interest rates, foreign currency exchange rates and equity prices.

We manage our exposure to interest rate risk and foreign currency risk through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We use foreign currency exchange derivative contracts to manage short-term foreign currency risk.

The objective of our policies is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in rates. We evaluate our exposure to market risk by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign currency exchange rates. This evaluation includes the review of leading market indicators, discussions with financial analysts and investment bankers regarding current and future economic conditions and the review of market projections as to expected future rates. We utilize this information to determine our own investment strategies as well as to determine if the use of derivative financial instruments is appropriate to mitigate any potential future market exposure that we may face. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. To the extent that changes in interest rates and foreign currency exchange rates affect general economic conditions, we would also be affected by such changes.

We did not experience any material changes in interest rate exposures during the year ended December 31, 2019. Our investments in marketable debt securities are subject to unrealized gains and losses due to interest rate volatility. We performed a sensitivity analysis to determine the impact a change in interest rates would have on the fair value of our investments in marketable debt securities assuming an adverse change of 100 basis points. A hypothetical 100 basis point (1.0%) increase in interest rates would have resulted in a decrease in the fair values of our investments of approximately \$23 million and \$126 million at December 31, 2019 and 2018, respectively. These hypothetical losses would only be realized if we sold the investments prior to their maturity. This amount excludes our investments in Trip.com Group convertible senior notes, which are more sensitive to the equity market price volatility of Trip.com Group's American Depositary Shares ("ADSs") than changes in interest rates. The fair value of our Trip.com Group convertible senior notes will likely increase as the market price of Trip.com Group's ADSs increases and will likely decrease as the market price of Trip.com Group's ADSs falls.

At December 31, 2019 and 2018, the outstanding aggregate principal amount of our debt was approximately \$8.7 billion and \$8.8 billion, respectively. We estimate that the fair value of such debt was approximately \$9.8 billion and \$9.3 billion at December 31, 2019 and 2018, respectively. A substantial portion of the fair value of our debt in excess of the outstanding principal amount relates to the conversion premium on our outstanding convertible senior notes. Excluding the effect on the fair value of our convertible senior notes, a hypothetical 100 basis point (1.0%) decrease in interest rates would have resulted in an increase in the fair values of our other debt of approximately \$325 million and \$370 million at December 31, 2019 and 2018, respectively. Our convertible senior notes are more sensitive to the equity market price volatility of our shares than changes in interest rates. The fair value of the convertible senior notes will likely increase as the market price of our shares increases and will likely decrease as the market price of our shares falls.

Our international business represents a substantial majority of our financial results. Therefore, because we report our results in U.S. Dollars, we face exposure to movements in foreign currency exchange rates as the financial results and the financial condition of our international businesses are translated from local currencies (principally Euros and British Pounds Sterling) into U.S. Dollars. If the U.S. Dollar weakens against the local currencies, the translation of these foreign-currency-denominated balances will result in increased net assets, gross bookings, revenues, operating expenses, and net income. Similarly, our net assets, gross bookings, revenues, operating expenses, and net income will decrease if the U.S. Dollar strengthens against the local currencies. Additionally, foreign currency exchange rate fluctuations on transactions, denominated in currencies other than the functional currency, result in gains and losses that are reflected in our Consolidated Statements of Operations.

As a result of foreign currency exchange rate changes, our foreign-currency-denominated gross bookings, revenues and operating expenses as expressed in U.S. Dollars are lower for the year ended December 31, 2019 than they would have been had foreign currency exchange rates remained where they were for the year ended December 31, 2018. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated debt and accrued interest thereon had provided a hedge against the impact of foreign currency exchange rate fluctuations on the net assets of one of our Euro functional currency subsidiaries. Beginning in the second quarter of 2019, we have only designated certain portions of the aggregate principal value of the Euro-denominated debt as a hedge. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument for accounting purposes are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations.

We enter into foreign currency derivative contracts to hedge translation risks from short-term foreign currency exchange rate fluctuations for the Euro, British Pound Sterling and certain other currencies versus the U.S. Dollar. We also enter into foreign currency forward contracts to hedge our exposure to the impact of movements in foreign currency exchange rates on our transactional balances denominated in currencies other than the functional currency. See Note 6 to our Consolidated Financial Statements for further information.

We are exposed to equity price risk as it relates to changes in fair value of our investments in equity securities of publicly-traded companies and private companies. The fair value of our investments in equity securities of publicly-traded companies and private companies, excluding certain investments classified as debt securities for accounting purposes, was \$1.8 billion and \$501 million, respectively, at December 31, 2019, and \$1.0 billion and \$501 million, respectively, at December 31, 2018. Our investments in private companies, excluding certain investments classified as debt securities for accounting purposes, are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. See Note 2 and 5 to our Consolidated Financial Statements for further information. A hypothetical 10% decrease in the fair value of these investments at December 31, 2019 and 2018 would have resulted in a total loss, before tax, of approximately \$230 million and \$150 million, respectively, being recognized in net income.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K (See Part IV, Item 15, Exhibits and Financial Statement Schedules): Consolidated Balance Sheets at December 31, 2019 and 2018; Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; Notes to the Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of our management's assessment of the design and effectiveness of our internal controls over financial reporting for the year ended December 31, 2019.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the

framework in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019. Our independent registered public accounting firm also attested to, and reported on the effectiveness of internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls. No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the three months ended December 31, 2019 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Booking Holdings Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Booking Holdings Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 26, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the Company's change in method of accounting for the recognition and measurement of financial instruments in 2018 due to the adoption of an accounting standards update.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 26, 2020

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10 will be included in our Proxy Statement relating to our 2020 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2019, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11 will be included in our Proxy Statement relating to our 2020 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2019, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by Part III, Item 12 will be included in our Proxy Statement relating to our 2020 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2019, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by Part III, Item 13 will be included in our Proxy Statement relating to our 2020 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2019, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by Part III, Item 14 will be included in our Proxy Statement relating to our 2020 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2019, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

- (a) List of Documents Filed as a Part of this Annual Report on Form 10-K:

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K: Consolidated Balance Sheets at December 31, 2019 and 2018; Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; Notes to the Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in the Consolidated Financial Statements or the notes thereto.

- (b) Exhibits

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. Some agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

Exhibit Number	Description
3.1(a)	Restated Certificate of Incorporation of the Registrant.
3.2(b)	Amended and Restated By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1 and 3.2.
4.2(c)	Specimen Certificate for Registrant's Common Stock.
4.3(d)	Indenture, dated as of June 4, 2013, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.4(e)	Indenture, dated as of August 20, 2014, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.5(f)	Indenture, dated as of September 23, 2014, between the Registrant and Deutsche Bank Trust Company Americas, as Trustee.
4.6(g)	Indenture, dated as of August 8, 2017, between the Company and U.S. Bank National Association, as trustee.
4.7(h)	Form of 2.375% Senior Note due 2024.
4.8(i)	Officers' Certificate, dated September 23, 2014, for the 2.375% Senior Notes due 2024.
4.9(j)	Form of 1.800% Senior Note due 2027.
4.10(k)	Officers' Certificate, dated March 3, 2015, for the 1.800% Senior Notes due 2027.
4.11(l)	Form of 3.650% Senior Note due 2025.
4.12(m)	Officers' Certificate, dated March 13, 2015, for the 3.650% Senior Notes due 2025.
4.13(f)	Form of 2.15% Senior Note due 2022.
4.14(f)	Officers' Certificate, dated November 25, 2015, for the 2.15% Senior Notes due 2022.
4.15(n)	Form of 3.600% Senior Note due 2026.
4.16(n)	Officers' Certificate, dated May 23, 2016, for the 3.600% Senior Notes due 2026.
4.17(o)	Form of 0.800% Senior Note due 2022.
4.18(o)	Officers' Certificate, dated March 10, 2017, for the 0.800% Senior Notes due 2022.
4.19(p)	Form of 2.750% Senior Note due 2023.
4.20(p)	Officers' Certificate, dated August 15, 2017, with respect to the 2.750% Senior Notes due 2023.
4.21(p)	Form of 3.550% Senior Note due 2028.
4.22(p)	Officers' Certificate, dated August 15, 2017, with respect to the 3.550% Senior Notes due 2028.
4.23	Description of the Company's Common Stock Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.24	Description of the Company's 0.800% Senior Notes due 2022 Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.25	Description of the Company's 2.150% Senior Notes due 2022 Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.26	Description of the Company's 2.375% Senior Notes due 2024 Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.27	Description of the Company's 1.800% Senior Notes due 2027 Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1(q)+	Booking Holdings Inc. 1999 Omnibus Plan (As Amended and Restated Effective June 7, 2018).

Exhibit Number	Description
10.2(r) ⁺	Form of Restricted Stock Unit Award Agreement for Employees in the Netherlands under the 1999 Omnibus Plan.
10.3(s) ⁺	Form of Restricted Stock Unit Agreement for awards under the 1999 Omnibus Plan to non-employee directors.
10.4(t) ⁺	Form of Restricted Stock Unit Agreement for awards under the 1999 Omnibus Plan.
10.5(u) ⁺	2017 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.6(t) ⁺	2018 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.7(v) ⁺	2019 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.8(u) ⁺	Amended and Restated KAYAK Software Corporation 2012 Equity Incentive Plan.
10.9(u) ⁺	OpenTable, Inc. Amended and Restated 2009 Equity Incentive Award Plan.
10.10(w) ⁺	Buuteeq, Inc. Amended and Restated 2010 Stock Plan.
10.11(x) ⁺	Amended and Restated Rocket Travel, Inc. 2012 Stock Incentive Plan.
10.12(x) ⁺	Amended and Restated Annual Bonus Plan.
10.13(y) ⁺	Form of Non-Competition and Non-Solicitation Agreement.
10.17(z) ⁺	Second Amended and Restated Employment Agreement, dated April 21, 2015 by and between the Registrant and Peter J. Millones.
10.18(aa) ⁺	Amended and Restated Employment contract, dated May 19, 2016 by and between Booking.com Holding B.V. and Gillian Tans.
10.19(bb) ⁺	Employment Agreement, dated December 15, 2016 by and between the Registrant and Glenn D. Fogel.
10.20(bb) ⁺	Non-Competition and Non-Solicitation Agreement, dated December 15, 2016 by and between the Registrant and Glenn D. Fogel.
10.21(bb) ⁺	Employee Confidentiality and Assignment Agreement, dated December 15, 2016 by and between the Registrant and Glenn D. Fogel.
10.25(cc) ⁺	Employment Agreement, dated January 19, 2018, between the Registrant and David I. Goulden.
10.26(cc) ⁺	Non-Competition and Non-Solicitation Agreement, dated March 1, 2018, between the Registrant and David I. Goulden.
10.27(cc) ⁺	Employee Confidentiality and Assignment Agreement, dated January 19, 2018, between the Registrant and David I. Goulden.
10.28(dd) ⁺	Transition Agreement, dated June 26, 2019, between Booking.com Holding B.V. and Gillian Tans.
10.29(ee)	Credit Agreement, dated as of August 14, 2019, among the Registrant, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A. as Administrative Agent.
10.30(b) ⁺	Letter Agreement, dated October 24, 2019 by and between the Registrant and Glenn D. Fogel.
10.31(ff) ⁺	Form of Employee Confidentiality and Assignment Agreement.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certification of Glenn D. Fogel, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of David I. Goulden, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(gg)	Certification of Glenn D. Fogel, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2(gg)	Certification of David I. Goulden, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File - the cover page from this Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (included in Exhibit 101).

⁺ Indicates a management contract or compensatory plan or arrangement.

- (a) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 21, 2018 (File No. 1-36691).
- (b) Previously filed as an exhibit to the Current Report on Form 8-K filed on October 25, 2019 (File No. 1-36691).
- (c) Previously filed as an exhibit to Amendment No. 2 to Registration Statement on Form S-1 filed on March 18, 1999 (File No. 333-69657).
- (d) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 4, 2013 (File No. 0-25581).
- (e) Previously filed as an exhibit to the Current Report on Form 8-K filed on August 20, 2014 (File No. 0-25581).
- (f) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 25, 2015 (File No. 1-36691).
- (g) Previously filed as an exhibit to the Registration Statement on Form S-3 filed on August 8, 2017 (File No. 333-219800).
- (h) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 22, 2014 (File No. 0-25581).
- (i) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 26, 2014 (File No. 0-25581).
- (j) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 2, 2015 (File No. 1-36691).
- (k) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 4, 2015 (File No. 1-36691).
- (l) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 12, 2015 (File No. 1-36691).
- (m) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 13, 2015 (File No. 1-36691).
- (n) Previously filed as an exhibit to the Current Report on Form 8-K filed on May 23, 2016 (File No. 1-36691).
- (o) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 10, 2017 (File No. 1-36691).
- (p) Previously filed as an exhibit to our Current Report on Form 8-K filed on August 15, 2017 (File No. 1-36691).
- (q) Previously filed as an exhibit to our Current Report on Form 8-K filed on June 8, 2018 (File No. 1-36691).
- (r) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 8, 2005 (File No. 0-25581).
- (s) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 9, 2011 (File No. 0-25581).
- (t) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 2, 2018 (File No. 1-36691).
- (u) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 3, 2017 (File No. 1-36691).
- (v) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 1, 2019 (File No. 1-36691).
- (w) Previously filed as an exhibit to the Registration Statement on Form S-8 filed on June 13, 2014 (File No. 333-196756).
- (x) Previously filed as an exhibit to the Annual Report on Form 10-K filed for the year ended December 31, 2015 (File No. 1-36691).
- (y) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 4, 2013 (File No. 0-25581).
- (z) Previously filed as an exhibit to our Current Report on Form 8-K filed on April 24, 2015 (File No. 1-36691).
- (aa) Previously filed as an exhibit to the Current Report on Form 8-K filed on May 20, 2016 (File No. 1-36691).
- (bb) Previously filed as an exhibit to the Current Report on Form 8-K filed on December 16, 2016 (File No. 1-36691).
- (cc) Previously filed as an exhibit to the Current Report on Form 8-K filed on January 22, 2018 (File No. 1-36691).
- (dd) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 28, 2019 (File No. 1-36691).
- (ee) Previously filed as an exhibit to the Current Report on Form 8-K filed on August 14, 2019 (File No. 1-36691).
- (ff) Previously filed as an exhibit to the Quarterly Report on Form 10-Q filed on May 9, 2019 (File No. 1-36691).
- (gg) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

Item 16. Form 10-K Summary.

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOOKING HOLDINGS INC.

By: /s/ Glenn D. Fogel

Name: Glenn D. Fogel

Title: Chief Executive Officer and President

Date: February 26, 2020

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Glenn D. Fogel, David I. Goulden and Peter J. Millones, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully and for all intents and purposes as he or she might do or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeffery H. Boyd</u> Jeffery H. Boyd	Director, Chairman of the Board	February 26, 2020
<u>/s/ Glenn D. Fogel</u> Glenn D. Fogel	Director, Chief Executive Officer and President	February 26, 2020
<u>/s/ David I. Goulden</u> David I. Goulden	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2020
<u>/s/ Susana D'Emic</u> Susana D'Emic	Chief Accounting Officer and Controller (Principal Accounting Officer)	February 26, 2020
<u>/s/ Timothy M. Armstrong</u> Timothy M. Armstrong	Director	February 26, 2020
<u>/s/ Mirian Graddick-Weir</u> Mirian Graddick-Weir	Director	February 26, 2020
<u>/s/ James M. Guyette</u> James M. Guyette	Director	February 26, 2020

Signature	Title	Date
/s/ Wei Hopeman Wei Hopeman	Director	February 26, 2020
/s/ Robert J. Mylod Jr. Robert J. Mylod Jr.	Director	February 26, 2020
/s/ Charles H. Noski Charles H. Noski	Director	February 26, 2020
/s/ Nancy B. Peretsman Nancy B. Peretsman	Director	February 26, 2020
/s/ Nicholas J. Read Nicholas J. Read	Director	February 26, 2020
/s/ Thomas E. Rothman Thomas E. Rothman	Director	February 26, 2020
/s/ Lynn M. Vojvodich Lynn M. Vojvodich	Director	February 26, 2020
/s/ Vanessa A. Wittman Vanessa A. Wittman	Director	February 26, 2020

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Booking Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Booking Holdings Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows, for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for the recognition and measurement of financial instruments in 2018 due to the adoption of an accounting standards update.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Total Revenues - Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

Substantially all of the Company's revenues are generated by providing online travel reservation services, which principally allow travelers to book travel reservations with travel service providers through the Company's platforms. Total revenues for the year ended December 31, 2019 were \$15.1 billion. The Company operates six primary brands and the revenues from each of the brands consist of a significant volume of low-dollar transactions utilizing multiple custom systems.

We identified total revenues as a critical audit matter as the processes to calculate and record revenues are highly automated, rely on a number of internally-built custom systems, and involve interfacing significant volumes of data across multiple systems. Given the complex information technology (IT) environment, this required the involvement of professionals with expertise in IT to identify, test, and evaluate the revenue data flows, the revenue systems and the automated controls.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
 - Identified the systems used to calculate and record revenue transactions.
 - Tested the general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
 - Performed testing of system interface controls and automated controls within the relevant revenue streams.
- We tested business process controls to reconcile the various systems to the Company's general ledgers.
- We performed detail transaction testing by agreeing the amounts recognized to source documents and testing the mathematical accuracy of the recorded revenues.

Goodwill - Refer to Notes 2 and 11 to the financial statements

Critical Audit Matter Description

The Company's annual evaluation of goodwill impairment involves the comparison of the fair value of each of the Company's reporting units to its carrying value. The total goodwill balance was \$2.9 billion as of December 31, 2019. A substantial portion of the Company's goodwill relates to the acquisitions of KAYAK in 2013 and OpenTable in 2014. The Company estimated the fair values using a combination of standard valuation techniques, including an income approach (discounted cash flows) and market approaches (earnings before interest, taxes, depreciation, and amortization ("EBITDA") multiples of comparable publicly traded companies and precedent transactions). With respect to the income approach, management makes significant estimates and assumptions related to forecasts of future performance, including revenues, operating margins and discount rates.

Given the significant judgments made by management to estimate the fair value of the KAYAK and OpenTable reporting units, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rates and forecasts of future revenues and operating margins required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenues and operating margins and the selection of the discount rates for the KAYAK and OpenTable reporting units included the following, among others:

- We tested the effectiveness of controls over goodwill impairment evaluation, including those over the forecasts and the selection of the discount rates.
- We evaluated management's ability to accurately forecast by comparing actual results in previous years to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts of future revenues and operating margins by comparing management's forecasts with:
 - Historical revenues and operating margins.
 - Internal communications to management and the Board of Directors.
 - Forecasted information included in analyst and industry reports of the Company and selected companies in its peer group.
- We considered the impact of industry and market conditions on management's forecasts.
- With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations and developing a range of independent estimates and comparing those to the discount rates selected by management.
- We evaluated the reasonableness of management's forecasts of future cash flows and discount rates utilized in the income approach fair value calculation by comparing the income approach fair value to the market approach fair values.

Commitments and Contingencies - Tax Matters - Refer to Note 16 to the financial statements

Critical Audit Matter Description

The Company is subject to ongoing tax examinations and assessments in various jurisdictions. The Company has received proposed income tax assessments relating to permanent establishment and transfer pricing matters, including interest and

penalties from French, Italian and Turkish tax authorities in the amount of \$526 million, \$118 million and \$91 million respectively. The Company believes that it has been, and continues to be, in compliance with the relevant tax laws, and the Company is contesting these assessments. The Company has not recorded a liability in connection with these assessments.

Given the complexity of the relevant tax laws and regulations, auditing management's evaluation and accounting for the tax positions associated with these income tax assessments involved subjective and complex judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting for the tax positions associated with the income tax assessments included the following, among others:

- We tested the effectiveness of controls over accounting for uncertain tax positions.
- With the assistance of our income tax specialists, we evaluated management's analysis regarding the likelihood of sustaining its tax positions upon examination by the relevant tax authorities.
- We assessed the basis of the Company's analysis and measurement by obtaining, reading, and evaluating the third-party specialists' reports.
- We obtained, read, and evaluated correspondence between the Company and the tax authorities.
- We evaluated any developments in the matters during the current fiscal year through inquiry of both Company personnel and the Company's third-party specialists.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 26, 2020

We have served as the Company's auditor since 1997.

Booking Holdings Inc.
CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,312	\$ 2,624
Short-term investments in marketable securities	998	3,660
Accounts receivable, net of allowance for doubtful accounts of \$49 and \$51, respectively	1,680	1,523
Prepaid expenses and other current assets	843	600
Total current assets	9,833	8,407
Property and equipment, net	738	656
Operating lease assets	620	—
Intangible assets, net	1,954	2,125
Goodwill	2,913	2,910
Long-term investments	4,477	8,408
Other assets	867	181
Total assets	\$ 21,402	\$ 22,687
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,239	\$ 1,134
Accrued expenses and other current liabilities	1,578	1,399
Deferred merchant bookings	1,561	1,022
Convertible debt	988	—
Total current liabilities	5,366	3,555
Deferred income taxes	876	370
Operating lease liabilities	462	—
Long-term U.S. transition tax liability	1,021	1,166
Other long-term liabilities	104	162
Long-term debt	7,640	8,649
Total liabilities	15,469	13,902
Commitments and Contingencies (See Note 16)		
Stockholders' equity:		
Common stock, \$0.008 par value, Authorized shares: 1,000,000,000 Issued shares: 63,179,471 and 62,948,762, respectively	—	—
Treasury stock, 21,762,070 and 17,317,126 shares, respectively	(22,864)	(14,711)
Additional paid-in capital	5,756	5,445
Retained earnings	23,232	18,367
Accumulated other comprehensive loss	(191)	(316)
Total stockholders' equity	5,933	8,785
Total liabilities and stockholders' equity	\$ 21,402	\$ 22,687

See Notes to Consolidated Financial Statements.

Booking Holdings Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)

	Year Ended December 31,		
	2019	2018	2017
Agency revenues	\$ 10,117	\$ 10,480	\$ 9,714
Merchant revenues	3,830	2,987	2,133
Advertising and other revenues	1,119	1,060	834
Total revenues	15,066	14,527	12,681
Cost of revenues			242
Gross profit			12,439
Operating expenses:			
Performance marketing	4,419	4,447	4,161
Brand marketing	548	509	435
Sales and other expenses	955	830	517
Personnel, including stock-based compensation of \$308, \$317 and \$261, respectively	2,248	2,042	1,660
General and administrative	797	699	576
Information technology	285	233	189
Depreciation and amortization	469	426	363
Total operating expenses	9,721	9,186	7,901
Operating income	5,345	5,341	4,538
Other income (expense):			
Interest income	152	187	157
Interest expense	(266)	(269)	(254)
Net unrealized gains (losses) on marketable equity securities	745	(367)	—
Foreign currency transactions and other	(18)	(57)	(42)
Total other income (expense)	613	(506)	(139)
Earnings before income taxes	5,958	4,835	4,399
Income tax expense	1,093	837	2,058
Net income	\$ 4,865	\$ 3,998	\$ 2,341
Net income applicable to common stockholders per basic common share	\$ 112.93	\$ 84.26	\$ 47.78
Weighted-average number of basic common shares outstanding (in 000's)	43,082	47,446	48,994
Net income applicable to common stockholders per diluted common share	\$ 111.82	\$ 83.26	\$ 46.86
Weighted-average number of diluted common shares outstanding (in 000's)	43,509	48,017	49,954

See Notes to Consolidated Financial Statements.

Booking Holdings Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 4,865	\$ 3,998	\$ 2,341
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments, net of tax	(10)	(114)	297
Net unrealized gains (losses) on available-for-sale securities, net of tax	135	(199)	76
Total other comprehensive income (loss), net of tax	125	(313)	373
Comprehensive income	<u>\$ 4,990</u>	<u>\$ 3,685</u>	<u>\$ 2,714</u>

See Notes to Consolidated Financial Statements.

Booking Holdings Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(In millions except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares (in 000's)	Amount	Shares (in 000's)	Amount				
Balance, December 31, 2016	62,379	\$ —	(13,191)	\$ (6,855)	\$ 5,483	\$ 11,327	\$ (135)	\$ 9,820
Cumulative effect of adoption of accounting standards updates	—	—	—	—	9	271	—	280
Net income	—	—	—	—	—	2,341	—	2,341
Foreign currency translation adjustments	—	—	—	—	—	—	297	297
Net unrealized gains on available-for-sale securities	—	—	—	—	—	—	76	76
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	26	—	—	26
Exercise of stock options and vesting of restricted stock units and performance share units	160	—	—	—	5	—	—	5
Repurchase of common stock	—	—	(1,026)	(1,844)	—	—	—	(1,844)
Stock-based compensation and other stock-based payments	—	—	—	—	261	—	—	261
Conversion of debt	150	—	—	—	(1)	—	—	(1)
Balance, December 31, 2017	62,689	\$ —	(14,217)	\$ (8,699)	\$ 5,783	\$ 13,939	\$ 238	\$ 11,261
Cumulative effect of adoption of accounting standards updates	—	—	—	—	—	430	(241)	189
Net income	—	—	—	—	—	3,998	—	3,998
Foreign currency translation adjustments	—	—	—	—	—	—	(114)	(114)
Net unrealized losses on available-for-sale securities	—	—	—	—	—	—	(199)	(199)
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	3	—	—	3
Exercise of stock options and vesting of restricted stock units and performance share units	208	—	—	—	2	—	—	2
Repurchase of common stock	—	—	(3,100)	(6,012)	—	—	—	(6,012)
Stock-based compensation and other stock-based payments	—	—	—	—	320	—	—	320
Conversion of debt	—	—	—	—	(773)	—	—	(773)
Common stock issued in an acquisition	52	—	—	—	110	—	—	110
Balance, December 31, 2018	62,949	\$ —	(17,317)	\$ (14,711)	\$ 5,445	\$ 18,367	\$ (316)	\$ 8,785
Net income	—	—	—	—	—	4,865	—	4,865
Foreign currency translation adjustments	—	—	—	—	—	—	(10)	(10)
Net unrealized gains on available-for-sale securities	—	—	—	—	—	—	135	135
Exercise of stock options and vesting of restricted stock units and performance share units	230	—	—	—	3	—	—	3
Repurchase of common stock	—	—	(4,445)	(8,153)	—	—	—	(8,153)
Stock-based compensation and other stock-based payments	—	—	—	—	308	—	—	308
Balance, December 31, 2019	63,179	\$ —	(21,762)	\$ (22,864)	\$ 5,756	\$ 23,232	\$ (191)	\$ 5,933

See Notes to Consolidated Financial Statements.

Booking Holdings Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2019	2018	2017
OPERATING ACTIVITIES:			
Net income	\$ 4,865	\$ 3,998	\$ 2,341
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	469	426	363
Provision for uncollectible accounts and chargebacks	138	163	62
Deferred income tax expense (benefit)	122	(150)	(32)
Net unrealized (gains) losses on marketable equity securities	(745)	367	—
Stock-based compensation expense and other stock-based payments	325	331	261
Amortization of debt discount and debt issuance costs	58	59	79
Operating lease amortization	172	—	—
Other	2	19	10
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(323)	(319)	(270)
Prepaid expenses and other current assets	(263)	(201)	(124)
Accounts payable, accrued expenses and other current liabilities	480	635	687
Long-term U.S. transition tax liability	(36)	40	1,251
Other long-term assets and liabilities	(399)	(30)	34
Net cash provided by operating activities	4,865	5,338	4,662
INVESTING ACTIVITIES:			
Purchase of investments	(672)	(2,686)	(6,941)
Proceeds from sale and maturity of investments	8,099	5,616	3,580
Additions to property and equipment	(368)	(442)	(288)
Acquisitions and other investments, net of cash acquired	(9)	(273)	(553)
Net cash provided by (used in) investing activities	7,050	2,215	(4,202)
FINANCING ACTIVITIES:			
Proceeds from revolving credit facility and short-term borrowings	400	25	—
Repayments of revolving credit facility and short-term borrowings	(425)	—	—
Proceeds from the issuance of long-term debt	—	—	2,045
Payments for conversion of senior notes	—	(1,487)	(286)
Payments for repurchase of common stock	(8,187)	(5,971)	(1,828)
Other financing activities	(8)	2	(10)
Net cash used in financing activities	(8,220)	(7,431)	(79)
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(8)	(40)	100
Net increase in cash and cash equivalents and restricted cash and cash equivalents	3,687	82	481
Total cash and cash equivalents and restricted cash and cash equivalents, beginning of period	2,645	2,563	2,082
Total cash and cash equivalents and restricted cash and cash equivalents, end of period	\$ 6,332	\$ 2,645	\$ 2,563
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for income taxes	\$ 1,074	\$ 1,169	\$ 702
Cash paid during the period for interest	\$ 221	\$ 219	\$ 155
Non-cash operating and financing activity for an acquisition (see Note 20)	\$ —	\$ 51	\$ —
Non-cash investing and financing activity for an acquisition (see Note 20)	\$ —	\$ 59	\$ —

See Notes to Consolidated Financial Statements.

Booking Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

Booking Holdings Inc. ("Booking Holdings" or the "Company") seeks to make it easier for everyone to experience the world by providing consumers, travel service providers and restaurants with leading travel and restaurant online reservation and related services. Through one or more of the Company's brands, consumers can: book a broad array of accommodations (including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties); make a car rental reservation or arrange for an airport taxi; make a dinner reservation; or book a cruise, flight, vacation package, tour or activity. Consumers can also use the Company's meta-search services to easily compare travel reservation information, such as airline ticket, hotel reservation and rental car reservation information, from hundreds of online travel platforms at once. In addition, the Company offers various other services to consumers, travel service providers and restaurants, such as certain travel-related insurance products and restaurant management services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, including acquired businesses from the dates of acquisition. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ significantly from those estimates. The estimates underlying the Company's Consolidated Financial Statements relate to, among other things, the valuation of goodwill, other long-lived tangible and intangible assets, income taxes, stock-based compensation, the allowance for doubtful accounts, customer chargeback provisions and the accrual of obligations for loyalty and other incentive programs.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current year presentation.

Fair Value of Financial Instruments

The Company's financial instruments, including cash, restricted cash, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings, are carried at cost which approximates their fair value because of the short-term nature of these financial instruments. See Notes 5, 6 and 12 for information related to fair value for investments, derivatives, and the Company's outstanding senior notes.

Cash and Cash Equivalents

Cash and cash equivalents consists primarily of cash and highly liquid investment grade securities with an original maturity of three months or less. Cash equivalents are recognized based on settlement date.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted through legal contracts or regulations. Restricted cash and cash equivalents at December 31, 2019, 2018 and 2017 principally relates to the minimum cash requirement for the Company's travel-related insurance business. The following table reconciles cash and cash equivalents and restricted cash and cash equivalents reported in the Consolidated Balance Sheets to the total amount shown in the Consolidated Statements of Cash Flows (in millions):

	December 31,		
	2019	2018	2017
As included in the Consolidated Balance Sheets:			
Cash and cash equivalents	\$ 6,312	\$ 2,624	\$ 2,542
Restricted cash and cash equivalents included in prepaid expenses and other current assets	20	21	21
Total cash and cash equivalents and restricted cash and cash equivalents as shown in the Consolidated Statements of Cash Flows	<u>\$ 6,332</u>	<u>\$ 2,645</u>	<u>\$ 2,563</u>

Investments

Investments held by the Company include debt securities and equity securities. Preferred stock that is either mandatorily redeemable or redeemable at the option of the investor is considered a debt security for accounting purposes. Investments in debt or equity securities that include embedded features, such as conversion or redemption features, are analyzed by the Company to determine if these features are embedded derivatives that require separate accounting treatment. Payments made for investments are reported in "Purchase of investments" and proceeds received from sales or maturities of investments are reported in "Proceeds from sale and maturity of investments" in the Consolidated Statements of Cash Flows.

Debt Securities

The Company has classified its investments in debt securities as available-for-sale securities. These securities are reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. Investments in debt securities are considered to be impaired when a decline in fair value is judged to be other than temporary because the Company either intends to sell or it is more-likely-than not that it will be required to sell the impaired security before recovery. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If the Company does not intend to sell the debt security, but it is probable that the Company will not collect all amounts due, then only the impairment due to the credit risk would be recognized in net income and the remaining amount of the impairment would be recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. See "Other Recent Accounting Pronouncements" later in this Note for the accounting change to the other-than-temporary impairment model, effective January 1, 2020. The fair value of these investments is based on the specific quoted market price of the securities or comparable securities at the balance sheet dates. Unobservable inputs are also used when little or no market data is available. See Note 6 for information related to fair value measurements.

The Company's investments in marketable debt securities are recognized based on the trade date. The marketable debt securities generally have a term of less than five years and are reported as "Short-term investments in marketable securities" or "Long-term investments" in the Consolidated Balance Sheets based on the maturity dates of the debt securities and the Company's expectations regarding the timing of sales and redemptions. Investments of a strategic nature that have been made for the purpose of affiliation or potential business advantage or in connection with a commercial relationship are included in "Long-term investments" in the Consolidated Balance Sheets. The cost of marketable debt securities sold is determined using a first-in and first-out method.

Equity Securities

Equity securities are reported as "Long-term investments" in the Consolidated Balance Sheets and include marketable equity securities and equity investments without readily determinable fair values.

For periods beginning after December 31, 2017, marketable equity securities are reported at estimated fair value with changes in fair value recognized in "Net unrealized gains (losses) on marketable equity securities" in the Consolidated Statements of Operations rather than "Accumulated other comprehensive loss" in the Consolidated Balance Sheets, pursuant to the adoption of the accounting update on financial instruments in 2018.

The Company holds investments in equity securities of private companies, over which the Company does not have the ability to exercise significant influence or control. Pursuant to the adoption of the accounting update on financial instruments in 2018, for periods beginning after December 31, 2017, the Company elected to measure these investments at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Previously, these investments were carried at cost and adjusted to fair value only for other-than-temporary declines in fair value.

See Note 5 and 6 for further information related to investments.

Accounts Receivable from Customers and Allowance for Doubtful Accounts

Receivables from customers are recorded at the original invoiced amounts net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on historical experience, aging of the receivable, credit quality of the customers, current economic trends and other factors that may affect the Company's ability to collect from customers. See Note 7 for additional information. See "Other Recent Accounting Pronouncements" later in this Note for the accounting change to the measurement of credit losses for accounts receivable, effective January 1, 2020.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets or, when applicable, the term of the lease related to leasehold improvements, whichever is shorter.

Building Construction-in-progress

Building construction-in-progress is associated with the construction of Booking.com's future headquarters in the Netherlands and is included in "Property and equipment, net" in the Consolidated Balance Sheets. Depreciation of the building and its related components will commence once it is ready for the Company's use.

Website and Internal-use Software Capitalization

Certain direct development costs associated with website and internal-use software are capitalized and include external direct costs of services and payroll costs for employees devoting time to the software projects principally related to platform development, including support systems, software coding, designing system interfaces and installation and testing of the software. These costs are recorded as property and equipment and are generally amortized over a period of two to five years beginning when the asset is substantially ready for use. Costs incurred for enhancements that are expected to result in additional features or functionalities are capitalized and amortized over the estimated useful life of the enhancements. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. Additions to capitalized costs during the years ended December 31, 2019, 2018 and 2017 were \$106 million, \$97 million and \$80 million, respectively.

Cloud Computing Arrangements

The Company utilizes various third-party computer systems and third-party service providers, including global distribution systems ("GDSs") serving the accommodation, rental car and airline industries. The Company uses both internally-developed systems and third-party systems to operate its services, including transaction processing, order management and financial and accounting systems. For periods beginning after December 31, 2018, implementation costs incurred in a hosting arrangement that is a service contract are capitalized and amortized over the term of the hosting arrangement (see "Recent Accounting Pronouncements Adopted" later in this Note). The capitalized implementation costs are reported as "Prepaid expenses and other current assets" or "Other assets" in the Company's Consolidated Balance Sheets as appropriate. The related amortization expenses are reported as "Information technology" in the Company's Consolidated Statements of Operations.

Leases

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") 842, *Leases*, using a modified retrospective method applied to all contracts as of January 1, 2019. Therefore, for reporting periods beginning after December 31, 2018, the financial statements are prepared in accordance with the current lease standard and the financial statements for all periods prior to January 1, 2019 are presented under the previous lease standard ("ASC 840"). See "Recent Accounting Pronouncements Adopted" later in this Note for further information related to the impact of the adoption of this accounting standard.

The Company determines if an arrangement is a lease, or contains a lease, when a contract is signed. The Company determines if a lease is an operating or finance lease and records a lease asset and a lease liability upon lease commencement, which is the date when the underlying asset is made available for use by the lessor. The Company has operating leases for office space, data centers and land for Booking.com's future headquarters. For office space, data centers and land, the Company has elected to combine the fixed payments to lease the asset and any fixed non-lease payments (such as maintenance or utility charges) when determining its lease payments.

The Company uses its incremental borrowing rate as its discount rate to determine the present value of its remaining lease payments to calculate its lease assets and lease liabilities because the rate implicit in the lease is not readily determinable. The incremental borrowing rates approximate the rate the Company would pay to borrow in the currency of the lease payments on a collateralized basis for the weighted-average life of the lease. Operating lease assets also include any prepaid lease payments and lease incentives received prior to lease commencement.

The Company recognizes lease expense on a straight-line basis over the lease term. Certain of the Company's lease agreements include rent payments which are adjusted periodically for inflation. Any change in payments due to changes in inflation rates are recognized as variable lease expense as they are incurred. Variable lease expense also includes costs for property taxes, insurance and services provided by the lessor which are charged based on usage or performance (such as maintenance or utility charges).

Most leases have one or more options to renew, with renewal terms that can initially extend the lease term for various periods up to 9 years. The exercise of renewal options for office space and data centers is at the Company's discretion and are included if they are reasonably certain to be exercised. The land lease for Booking.com's future headquarters has an initial term which expires in 2065, at which time the lease payments will be adjusted based on the value of the land on the reassessment date. The Company considered the initial term of the land lease to be its expected period of use.

At December 31, 2018, the Company had \$47 million land-use rights related to payment in 2016 for the land lease for Booking.com's future headquarters as described above. The land-use rights were included in "Other assets" in the Consolidated Balance Sheets, for periods prior to January 1, 2019, and reclassified from "Other assets" to "Operating lease assets" on January 1, 2019 as part of the adoption of ASC 842, *Leases* (see "Recent Accounting Pronouncements Adopted" later in this Note). The land-use rights are amortized on a straight-line basis over its expected period of use. This expense is recorded as lease expense in "General and administrative" expense in the Consolidated Statements of Operations. See Note 10 and 16 for further information.

Goodwill

The Company accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The Company's Consolidated Financial Statements reflect an acquired business starting at the date of the acquisition.

Goodwill is not subject to amortization and is tested at least annually for impairment, or earlier if an event occurs or circumstances change and there is an indication of impairment. The Company tests goodwill at a reporting unit level. The fair value of the reporting unit is compared to its carrying value, including goodwill. Fair values are determined using a combination of standard valuation techniques, including an income approach (discounted cash flows) and market approaches (EBITDA multiples of comparable publicly-traded companies and precedent transactions) and based on market participant assumptions. An impairment is recorded to the extent that the implied fair value of goodwill is less than the carrying value of goodwill. See Note 11 for further information. See "Other Recent Accounting Pronouncements" later in this Note for the new accounting standard that the Company adopted in the first quarter of 2020.

Impairment of Long-Lived Assets

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The assessment of possible impairment is based upon the Company's ability to recover the carrying value of the assets from the estimated undiscounted future net cash flows, before interest and taxes, of the related asset group. The amount of impairment loss, if any, is measured as the excess of the carrying value of the asset over the present value of estimated future cash flows, using a discount rate commensurate with the risks involved and based on assumptions representative of market participants.

Foreign Currency Translation

The functional currency of the Company's subsidiaries is generally the respective local currency. For international operations, assets and liabilities are translated into U.S. Dollars at the rate of exchange existing at the balance sheet date. Income statement amounts are translated at monthly average exchange rates applicable for the period. Translation gains and losses are included as a component of "Accumulated other comprehensive loss" in the Company's Consolidated Balance Sheets. Foreign currency transaction gains and losses are included in "Foreign currency transactions and other" in the Company's Consolidated Statements of Operations.

Derivative Financial Instruments

As a result of the Company's international operations, it is exposed to various market risks that may affect its consolidated results of operations, cash flows and financial position. These market risks include, but are not limited to, fluctuations in foreign currency exchange rates. The Company's primary foreign currency exposures are in Euros and British Pounds Sterling, in which it conducts a significant portion of its business activities. As a result, the Company faces exposure to adverse movements in foreign currency exchange rates as the financial results of its international operations are translated from local currencies into U.S. Dollars upon consolidation. Additionally, foreign currency exchange rate fluctuations on transactions denominated in currencies other than the functional currency of an entity result in gains and losses that are reflected in net income.

The Company may enter into derivative instruments to hedge certain net exposures of nonfunctional currency denominated assets and liabilities and the volatility associated with translating earnings for its international operations into U.S. Dollars, even though it does not elect to apply hedge accounting or hedge accounting does not apply. These contracts are generally short-term in duration. Certain of the Company's derivative instruments have master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. The Company reports the fair value of its derivative assets and liabilities on a gross basis in the Consolidated Balance Sheets in "Prepaid expenses and other current assets" and "Accrued expenses and other current liabilities," respectively. Unless designated as hedges for accounting purposes, gains and losses resulting from changes in the fair value of derivative instruments are recognized in "Foreign currency transactions and other" in the Consolidated Statements of Operations in the period that the changes occur and are classified within "Net cash provided by operating activities" in the Consolidated Statements of Cash Flows. See Note 6 for further information related to these derivative instruments.

The Company, from time to time in the past, has utilized derivative instruments to hedge the impact of changes in foreign currency exchange rates on the net assets of its foreign subsidiaries. These derivative instruments were designated as net investment hedges. Hedge ineffectiveness was assessed and measured based on changes in forward exchange rates. The Company recorded gains and losses on these derivative instruments as foreign currency translation adjustments, which offset a portion of the foreign currency translation adjustments related to the foreign subsidiaries' net assets. Gains and losses on these derivative instruments were recognized in the Consolidated Balance Sheets in "Accumulated other comprehensive loss" and will be realized upon a partial sale or liquidation of the investment.

The Company is exposed to the risk that counterparties to derivative instruments may fail to meet their contractual obligations. The Company regularly reviews its credit exposure and assesses the creditworthiness of its counterparties.

Non-derivative Instrument Designated as Net Investment Hedge

Historically, the aggregate principal value of the Euro-denominated Senior Notes maturing in March 2022, November 2022, September 2024 and March 2027 (collectively "Euro-denominated debt") and accrued interest had been designated as a hedge of the Company's net investment in a Euro functional currency subsidiary. Beginning in the second quarter of 2019, the Company has only designated certain portions of the aggregate principal value of the Euro-denominated debt as a hedge. The foreign currency transaction gains or losses on these Euro-denominated liabilities are measured based upon changes in spot rates. The foreign currency transaction gains or losses on the Euro-denominated debt that is designated as a hedging instrument for accounting purposes are recorded in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The net assets of this Euro functional currency subsidiary are translated into U.S. Dollars at each balance sheet date, with the effects of foreign currency changes also reported in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations. See Notes 12 and 14 for further information related to the net investment hedge.

Revenue Recognition

Online travel reservation services

On January 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using a modified retrospective method applied to all contracts as of January 1, 2018. Therefore, for reporting periods beginning after December 31, 2017, the financial statements are prepared in accordance with the current revenue recognition standard and the financial statements for all periods prior to January 1, 2018 are presented under the previous revenue recognition accounting standard. The Company recorded a net increase to its retained earnings of \$189 million, net of tax, as of January 1, 2018, due to the cumulative impact of adopting the current revenue recognition standard, with substantially all of the impact related to the Company's travel reservation services.

For periods beginning after December 31, 2017, the Company recognizes revenue for travel reservation services when the travel begins rather than when the travel is completed. Substantially all of the Company's revenues are generated by providing online travel reservation services, which principally allows travelers to book travel reservations with travel service providers through the Company's platforms. While the Company generally refers to a consumer that books travel reservation services on the Company's platforms as its customer, for accounting purposes, the Company's customers are the travel service providers and, in certain merchant transactions, the travelers. The Company's contracts with travel service providers give them the ability to market their reservation availability without transferring responsibility to deliver the travel service to the Company. Therefore, the Company's revenues are presented on a net basis in the Consolidated Statements of Operations. These contracts include payment terms and establish the consideration to which the Company is entitled, which includes either a commission or a margin on the travel transaction. Revenue is measured based on the expected consideration specified in the contract with the travel service provider, considering the effects of sales incentives, "no show" cancellations (where the traveler has not cancelled the reservation but does not arrive on the scheduled reservation date) and "late" cancellations (where the travel service provider accepts a cancellation after its cancellation cut-off date). Estimates for cancellations and sales incentives are based on historical experience and current trends. Coupons are recorded as a reduction of the transaction price at the time they are redeemed. The local occupancy taxes, general excise taxes, value-added taxes, sales taxes and other similar taxes ("travel transaction taxes"), if any, collected from travelers are reported on a net basis in revenues in the Consolidated Statements of Operations.

Revenues for online travel reservation services are recognized at a point in time when the Company has completed its post-booking services and the travelers begin using the arranged travel services. These services are classified into two categories:

- Agency revenues are derived from travel-related transactions where the Company does not facilitate payments from travelers for the services provided. The Company invoices the travel service providers for its commissions in the month that travel is completed. Agency revenues consist almost entirely of travel reservation commissions. Substantially all of the Company's agency revenue is from Booking.com agency accommodation reservations.
- Merchant revenues are derived from travel-related transactions where the Company facilitates payments from travelers for the services provided, generally at the time of booking. The Company records cash collected from travelers, which includes the amounts owed to the travel service providers and the Company's commission or margin and fees, as deferred merchant bookings until the arranged travel service begins. Merchant revenues include travel reservation commissions and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with the Company's merchant reservations services; credit card processing rebates and customer processing fees; and ancillary fees, including travel-related insurance revenues and certain GDS reservation booking fees. Substantially all merchant revenues are derived from transactions where travelers book accommodation reservations or rental car reservations.

Under the previous revenue recognition standard, revenues from priceline's *Name Your Own Price*® transactions were presented on a gross basis with the amount remitted to the travel service providers reported as cost of revenues. Under the current revenue recognition standard, *Name Your Own Price*® revenues are reported on a net basis with the amount remitted to the travel service providers recorded as an offset in merchant revenues. Therefore, for periods beginning after December 31, 2017, the Company no longer presents "Cost of revenues" or "Gross profit" in its Consolidated Statements of Operations. Total revenues reported in 2019 and 2018 are comparable to gross profit reported in previous years.

Advertising and Other Revenues

Advertising and other revenues are primarily recognized by KAYAK and OpenTable. KAYAK recognizes advertising revenue primarily by sending referrals to online travel companies ("OTCs") and travel service providers and from advertising placements on its platforms. Revenue related to referrals is recognized when a consumer clicks on a referral placement or upon completion of the travel. Revenue for advertising placements is recognized based upon when a consumer clicks on an advertisement or when KAYAK displays an advertisement. OpenTable recognizes revenues for reservation fees when diners are seated through its online restaurant reservation service and revenues for subscription fees for restaurant management services on a straight-line basis over the contractual period in accordance with how the service is provided.

Accrued Liabilities for Loyalty and Other Incentive Programs — See Note 3.

Deferred Revenue — See Note 3.

Advertising Expenses

The Company's advertising expenses are reported in and presented as "Performance marketing" and "Brand marketing" expenses in the Consolidated Statements of Operations. Included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets are accrued performance advertising liabilities of \$333 million and \$313 million at December 31, 2019 and 2018, respectively.

Performance Marketing

Performance marketing expenses are expenses generally measured by return on investment or an increase in bookings over a specified time period. These expenses consist primarily of the costs of: (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) other performance-based marketing and incentives. Performance marketing expenses are recognized as incurred.

Brand Marketing

Brand marketing expenses are expenses incurred to build brand awareness over a specified time period. These expenses consist primarily of television advertising and online video and display advertising (including the airing of the Company's television advertising online), as well as other marketing expenses such as public relations and sponsorships. Brand marketing expenses are generally recognized as incurred with the exception of advertising production costs, which are deferred and expensed the first time the advertisement is displayed or broadcast.

Sales and Other Expenses

Sales and other expenses are generally variable in nature and consist primarily of: (1) credit cards and other payment processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) customer chargeback provisions and fraud prevention expenses associated with merchant transactions; (4) customer relations costs; (5) provisions for bad debt, primarily related to agency accommodation commission receivables; and (6) insurance claim costs for the Company's travel-related insurance business.

Personnel

Personnel expenses consist of compensation to the Company's personnel, including salaries, stock-based compensation, bonuses, payroll taxes and employee health and other benefits. Included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets are accrued compensation liabilities of \$344 million and \$348 million at December 31, 2019 and 2018, respectively.

Stock-Based Compensation

Stock-based compensation expense related to performance share units, restricted stock units and stock options is recognized based on fair value on a straight-line basis over the respective requisite service periods and forfeitures are accounted for when they occur. The fair value on the grant date of performance share units and restricted stock units is determined based on the number of units granted and the quoted price of the Company's common stock. The Company records stock-based compensation expense for performance-based awards using its estimate of the probable outcome at the end of the performance period (i.e., the estimated performance against the performance targets). The Company periodically adjusts the cumulative stock-based compensation expense recorded when the probable outcome for these performance-based awards is updated based upon changes in actual and forecasted operating results. The fair value of employee stock options assumed in acquisitions was

determined using the Black-Scholes model and the market value of the Company's common stock at the respective acquisition dates.

The benefits of tax deductions in excess of recognized compensation costs are recognized in the income statement as a discrete item when an option exercise or a vesting and release of shares occurs. Excess tax benefits are presented as operating cash flows and cash payments for employee statutory tax withholding related to vested stock awards are presented as financing cash flows in the Consolidated Statements of Cash Flows. See Note 4 for further information related to stock-based awards.

Information Technology

Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) outsourced data center and cloud computing costs; (3) payments to contractors; and (4) data communications and other expenses associated with operating the Company's services.

Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company records the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. Deferred taxes are classified as noncurrent in the balance sheet.

The Company records deferred tax assets to the extent it believes these assets will more likely than not be realized. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences, the carryforward periods available for tax reporting purposes, and tax planning strategies. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which related temporary differences become deductible. In determining the future tax consequences of events that have been recognized in the financial statements or tax returns, significant judgments, estimates, and interpretation of statutes are required.

Deferred taxes are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

The Company recognizes liabilities when it believes that uncertain positions may not be fully sustained upon audit by the tax authorities. Liabilities recognized for uncertain tax positions are based on a two-step approach for recognition and measurement. First, the Company evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit based on its technical merits. Second, the Company measures the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. Interest and penalties attributable to uncertain tax positions, if any, are recognized as a component of income tax expense.

In 2018, the Company adopted an accounting policy to treat taxes on global intangible low-taxed income ("GILTI") introduced by the U.S. Tax Cuts and Jobs Act (the "Tax Act") as period costs. See Note 15 for further details related to income taxes.

Segment Reporting

The Company historically determined that its primary brands constituted its operating segments. In 2019, reflecting changes to the management structure, the Company reorganized its operating segments from six to four operating segments by combining Booking.com with Rentalcars.com and KAYAK with OpenTable. The Company's Booking.com and Rentalcars.com operating segment represents a substantial majority of total revenues and operating income. The Company's operating segments continue to be aggregated into one reportable segment based on the similarity in economic characteristics, other qualitative factors and the objectives and principles of ASC 280, *Segment Reporting*. For geographic information, see Note 18.

Recent Accounting Pronouncements Adopted

Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the Financial Accounting Standards Board ("FASB") issued a new accounting standard to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also added certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company adopted this standard on January 1, 2019 and applied it on a prospective basis. The adoption did not have a material impact to the Consolidated Financial Statements.

Leases

In February 2016, the FASB issued a new accounting standard that requires lessees to recognize an asset and a liability in the balance sheet for the rights and obligations created by entering into lease transactions. The new standard retains the dual-model concept by requiring entities to determine if a lease is an operating or finance lease. The new standard also expands qualitative and quantitative disclosures for lessees.

The Company adopted this new standard on January 1, 2019 on a modified retrospective basis and has elected not to restate comparative periods. The Company elected other options, which allow the Company to use its previous evaluations regarding if an arrangement contains a lease, if a lease is an operating or finance lease and what costs are capitalized as initial direct costs prior to adoption. The Company also elected to combine lease and non-lease components.

Upon the adoption of the new lease standard, on January 1, 2019, the Company recognized operating lease assets of \$646 million and total operating lease liabilities of \$646 million (including a current liability of \$152 million) in the consolidated balance sheet and reclassified certain balances related to existing leases. There was no impact to retained earnings at adoption. See Note 10 for more information related to leases.

Other Recent Accounting Pronouncements

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued a new accounting update relating to income taxes. This update provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date.

For public business entities, this update is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The amendment related to franchise taxes that are partially based on income should be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other amendments should be applied on a prospective basis. The Company is currently evaluating the impact to its Consolidated Financial Statements of adopting this update and does not expect it to have a material impact.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued a new accounting update to simplify the test for goodwill impairment. The revised guidance eliminates the previously required step two of the goodwill impairment test, which required a hypothetical purchase price allocation to measure goodwill impairment. Under the revised guidance, a goodwill impairment loss will be measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. The Company adopted this update in the first quarter of 2020 and will apply it on a prospective basis.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued a new accounting update on the measurement of credit losses for certain financial assets measured at amortized cost and available-for-sale debt securities. For financial assets measured at amortized cost, this update requires an entity to (1) estimate its lifetime expected credit losses upon recognition of the financial assets and establish an allowance to present the net amount expected to be collected, (2) recognize this allowance and changes in the allowance during subsequent periods through net income and (3) consider relevant information about past events, current conditions and reasonable and supportable forecasts in assessing the lifetime expected credit losses. For available-for-sale debt securities, this update made several targeted amendments to the existing other-than-temporary impairment model, including (1) requiring disclosure of the allowance for credit losses, (2) allowing reversals of the previously recognized credit losses until the entity has the intent to sell, is more-likely-than-not required to sell the securities or the maturity of the securities, (3) limiting impairment to the difference between the amortized cost basis and fair value and (4) not allowing entities to consider the length of time that fair value has been less than amortized cost as a factor in evaluating whether a credit loss exists. The Company adopted this update in the first quarter of 2020 and applied this update on a modified retrospective basis. The adoption did not have a material impact to the Company's Consolidated Financial Statements.

3. REVENUE

See Note 2 for the Company's accounting policy related to revenue recognition.

Disaggregation of Revenue

Revenue by Geographic Area (see Note 18)

Revenue by Type of Service

Approximately 87% of the Company's revenues for each of the years ended December 31, 2019 and 2018 relates to online accommodation reservation services. Revenue from all other sources of online travel reservation services and advertising and other revenues each individually represent less than 10% of the Company's total revenues for each year. For the year ended December 31, 2017 and prior years, revenues were recognized and presented under the previous revenue recognition accounting standard (see Note 2).

Deferred Revenue

Cash payments received from travelers in advance of the Company completing its service obligations are included in "Deferred merchant bookings" in the Company's Consolidated Balance Sheets and are comprised principally of amounts estimated to be payable to the travel service providers as well as the Company's deferred revenue for its commission or margin and fees. The Company expects to complete its service obligation within one year from the reservation date.

The following table summarizes the activity of deferred revenue for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Balance, beginning of year	\$ 149	\$ 151
Revenues recognized from the beginning balance	(134)	(109)
Cancellations	(15)	(10)
One-time adjustment to retained earnings at adoption of ASC 606	—	(32)
Payments received from travelers net of amounts estimated to be payable to travel service providers and other	220	149
Balance, end of year	<u>\$ 220</u>	<u>\$ 149</u>

Loyalty and Other Incentive Programs

The Company provides loyalty programs where participating consumers are awarded loyalty points on current transactions that can be redeemed in the future. At December 31, 2019 and 2018, liabilities for loyalty program incentives of \$80 million and \$73 million, respectively, were included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. The Company's largest loyalty program is at OpenTable, where points can be redeemed for rewards such as

qualifying reservations at participating restaurants, third-party gift cards and accommodation reservations booked through some of the Company's other platforms. The estimated fair value of the loyalty points that are expected to be redeemed is recognized as a reduction of revenue at the time the incentives are granted. In the first quarter of 2018, OpenTable introduced a three-year time-based expiration for points earned by diners, which reduced its loyalty program liability by \$27 million, with a corresponding increase to revenue.

In addition to the loyalty programs, at December 31, 2019 and 2018, liabilities of \$22 million and \$61 million, respectively, for other incentive programs, such as referral bonuses, credits and discounts, were included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. In the third quarter of 2019, the Company recorded a decrease of \$37 million to the liability for loyalty and other incentive programs, based on changes to estimates of the amounts expected to be redeemed, with a corresponding increase to revenue.

4. STOCK-BASED COMPENSATION

The Company's 1999 Omnibus Plan, as amended and restated effective June 7, 2018, (the "1999 Plan") is the primary stock compensation plan from which broad-based employee, non-employee director and consultant equity awards may be made. At December 31, 2019, there were 1,833,091 shares of common stock available for future grant under the 1999 Plan. In addition, under plans assumed in connection with various acquisitions, there were 72,006 shares of common stock available for future grant at December 31, 2019.

Stock-based compensation issued under the plans generally consists of restricted stock units, performance share units and, to a far lesser extent and only in the context of assuming grants in connection with acquisitions, stock options. The Company issues shares of common stock upon the vesting of restricted stock units and performance share units and the exercise of stock options. See Note 2 for the Company's accounting policy on stock-based compensation.

Stock-based compensation included in "Personnel" expenses in the Consolidated Statements of Operations was \$308 million, \$317 million and \$261 million for the years ended December 31, 2019, 2018 and 2017, respectively. Stock-based compensation for the years ended December 31, 2019, 2018 and 2017 includes a benefit of \$4 million and charges of \$48 million and \$11 million, respectively, representing the impact of adjusting the estimated probable outcome at the end of the performance period for outstanding unvested performance share units. The related tax benefit for stock-based compensation was \$38 million, \$36 million and \$46 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Share-based awards granted by the Company during the years ended December 31, 2019, 2018 and 2017 had aggregate grant-date fair values of \$380 million, \$337 million and \$304 million, respectively. Restricted stock units and performance share units that vested during the years ended December 31, 2019, 2018, and 2017 had aggregate fair values at vesting of \$373 million, \$415 million and \$251 million, respectively. At December 31, 2019, there was \$413 million of total future compensation cost related to unvested share-based awards to be recognized over a weighted-average period of 1.8 years.

Restricted Stock Units

The following table summarizes the activity of restricted stock units for employees and non-employee directors during the years ended December 31, 2017, 2018 and 2019:

Restricted Stock Units	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2016	195,059	\$ 1,300
Granted	100,614	\$ 1,745
Vested	(67,041)	\$ 1,302
Forfeited/Canceled	(24,671)	\$ 1,430
Unvested at December 31, 2017	203,961	\$ 1,503
Granted	116,583	\$ 2,025
Vested	(69,693)	\$ 1,389
Forfeited/Canceled	(25,868)	\$ 1,731
Unvested at December 31, 2018	224,983	\$ 1,783
Granted	157,205	\$ 1,739
Vested	(95,484)	\$ 1,653
Forfeited/Canceled	(29,959)	\$ 1,812
Unvested at December 31, 2019	256,745	\$ 1,801

The Company makes broad-based grants of restricted stock units that generally vest during a period of one- to three-years, subject to certain exceptions for terminations other than for "cause," for "good reason" or on account of death or disability.

Performance Share Units

The following table summarizes the activity of performance share units for employees during the years ended December 31, 2017, 2018 and 2019:

Performance Share Units	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2016	320,547	\$ 1,288
Granted	73,893	\$ 1,735
Vested	(76,730)	\$ 1,328
Performance Shares Adjustment	19,357	\$ 1,501
Forfeited/Canceled	(16,332)	\$ 1,395
Unvested at December 31, 2017	320,735	\$ 1,386
Granted	49,721	\$ 2,034
Vested	(134,549)	\$ 1,250
Performance Shares Adjustment	66,245	\$ 1,872
Forfeited/Canceled	(15,573)	\$ 1,685
Unvested at December 31, 2018	286,579	\$ 1,659
Granted	61,912	\$ 1,716
Vested	(118,668)	\$ 1,346
Performance Shares Adjustment	(683)	\$ 1,729
Forfeited/Canceled	(13,057)	\$ 1,769
Unvested at December 31, 2019	216,083	\$ 1,835

The Company grants performance share units to executives and certain other employees, which generally vest at the end of a three-year period, subject to certain exceptions for terminations other than for "cause," for "good reason" or on account of death or disability. Stock-based compensation related to performance share units reflects the estimated probable outcome at the end of the performance period. Performance share units are payable in shares of the Company's common stock upon vesting. The number of shares which ultimately will vest depends on achieving certain performance metrics by the end of the performance period, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances.

The following table summarizes the estimated vesting of performance share units granted in 2019, 2018 and 2017, net of forfeiture and vesting since the respective grant dates, at December 31, 2019:

Performance Share Units, by grant year	2019	2018	2017
Shares probable to be issued	60,588	76,560	78,935
Shares not subject to the achievement of minimum performance thresholds	47,170	29,753	N/A*
Shares that could be issued if maximum performance thresholds are met	121,176	82,126	N/A*

* The performance period for the performance share units granted in 2017 ended on December 31, 2019.

Stock Options

All outstanding employee stock options were assumed in acquisitions, and generally have a term of 10 years from the grant date. At December 31, 2019, all stock options were vested and exercisable. The aggregate intrinsic value of employee stock options exercised during the years ended December 31, 2019, 2018 and 2017 was \$20 million, \$5 million and \$26 million, respectively.

The following table summarizes the activity for stock options during the year ended December 31, 2019:

Employee Stock Options	Number of Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (in years)
Balance, December 31, 2018	27,263	\$ 387	\$ 36	2.8
Exercised	(12,141)	\$ 266		
Balance, December 31, 2019	15,122	\$ 484	\$ 24	2.6
Vested and exercisable at December 31, 2019	15,122	\$ 484	\$ 24	2.6

5. INVESTMENTS

See Note 2 for the Company's accounting policy related to its investments.

The following table summarizes, by major security type, the Company's investments at December 31, 2019 (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Short-term investments in marketable securities:				
Debt securities:				
International government securities	\$ 109	\$ —	\$ —	\$ 109
U.S. government securities	138	—	—	138
Corporate debt securities	751	1	(1)	751
Total	\$ 998	\$ 1	\$ (1)	\$ 998
Long-term investments:				
Investments in marketable securities:				
Debt securities:				
International government securities	\$ 68	\$ —	\$ —	\$ 68
U.S. government securities	136	—	(1)	135
Corporate debt securities	963	2	(2)	963
Trip.com Group convertible debt securities	775	—	(8)	767
Equity securities	1,117	684	(8)	1,793
Investments in private companies:				
Debt securities	250	—	—	250
Equity securities	501	—	—	501
Total	\$ 3,810	\$ 686	\$ (19)	\$ 4,477

The following table summarizes, by major security type, the Company's investments at December 31, 2018 (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Short-term investments in marketable securities:				
Debt securities:				
International government securities	\$ 314	\$ —	\$ —	\$ 314
U.S. government securities	658	—	(2)	656
Corporate debt securities	2,693	—	(12)	2,681
U.S. government agency securities	1	—	—	1
Commercial paper	7	—	—	7
Time deposits and certificates of deposit	1	—	—	1
Total	\$ 3,674	\$ —	\$ (14)	\$ 3,660
Long-term investments:				
Investments in marketable securities:				
Debt securities:				
International government securities	\$ 797	\$ 3	\$ —	\$ 800
U.S. government securities	299	—	(6)	293
Corporate debt securities	4,445	4	(48)	4,401
Trip.com Group convertible debt securities	1,275	—	(98)	1,177
Equity securities	1,105	3	(72)	1,036
Investments in private companies:				
Debt securities	200	—	—	200
Equity securities	501	—	—	501
Total	\$ 8,622	\$ 10	\$ (224)	\$ 8,408

Investments in Marketable Securities

Investments in Marketable Debt Securities

Investments in marketable debt securities are reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The Company's investment policy seeks to preserve capital and maintain sufficient liquidity to meet operational and other needs of the business. At December 31, 2019, the weighted-average life of the Company's investments in marketable debt securities, excluding its investment in Trip.com Group convertible debt securities, was approximately 1.1 years with an average credit quality of A+/A1/A+.

The Company invests in international government securities with high credit quality. At December 31, 2019, investments in international government securities principally included debt securities issued by the governments of the Netherlands, Germany, France, Finland and Belgium. At December 31, 2019, the Company does not consider any of its investments in marketable debt securities to be other-than-temporarily impaired.

Investments in Trip.com Group

At December 31, 2019, the Company had \$775 million invested in convertible senior notes issued at par value by Trip.com Group with maturity dates ranging from May 2020 to December 2025. The strategic investments in Trip.com Group, including \$250 million of convertible notes due May 2020, were classified as "Long-term investments" in the Consolidated Balance Sheet at December 31, 2019. In August 2019, the Company's August 2014 investment of \$500 million in Trip.com Group's convertible notes was repaid on maturity. The Trip.com Group convertible notes have been marked-to-market in accordance with the accounting guidance for available-for-sale securities, with the aggregate unrealized gains and losses, net of tax, reflected in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The Company has also invested

\$655 million in Trip.com Group American Depositary Shares ("ADSs"), which had a fair value of \$726 million and \$585 million at December 31, 2019 and December 31, 2018, respectively. "Net unrealized gains (losses) on marketable equity securities" in the Consolidated Statements of Operations includes a net unrealized gain of \$141 million and a net unrealized loss of \$368 million for the years ended December 31, 2019 and 2018, respectively, related to Trip.com Group ADSs.

Certain Trip.com Group convertible notes include a put option allowing the Company, at its option, to require prepayment in cash from Trip.com Group at certain points of time. The Company determined that the economic characteristics and risks of the put options are clearly and closely related to the notes, and therefore did not meet the requirement for separate accounting as embedded derivatives. The Company monitors the conversion features of these notes to determine whether they meet the definition of an embedded derivative during each reporting period. The conversion feature associated with the \$25 million convertible notes issued in 2016 meets the definition of an embedded derivative that requires separate accounting. The embedded derivative is bifurcated for fair value measurement purposes only and is reported in the Consolidated Balance Sheets with its host contract in "Long-term investments." The mark-to-market adjustments of the embedded derivative are included in "Foreign currency transactions and other" in the Company's Consolidated Statements of Operations.

Investment in Meituan Dianping

In 2017, the Company invested \$450 million in preferred shares of Meituan Dianping, the leading e-commerce platform for local services in China. The investment has been classified as a marketable equity security since Meituan Dianping's initial public offering in 2018. The investment had a fair value of \$1.1 billion and \$451 million at December 31, 2019 and 2018, respectively. "Net unrealized gains (losses) on marketable equity securities" in the Consolidated Statements of Operations includes unrealized gains of \$602 million and \$1 million for the years ended December 31, 2019 and 2018, respectively, related to this investment.

Investments in Private Companies

Equity Securities without Readily Determinable Fair Value

The Company held investments in equity securities of private companies of \$501 million at both December 31, 2019 and 2018, principally related to the Company's investment of \$500 million in 2018 in preferred shares of Didi Chuxing, the leading mobile transportation and ride-hailing platform in China. These investments are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer and are included in "Long-term investments" in the Company's Consolidated Balance Sheets. The Company determined that no adjustments were required to the carrying value of these investments at December 31, 2019.

Debt Securities

The Company held investments in preferred shares of private companies of \$250 million and \$200 million at December 31, 2019 and 2018, respectively. These investments are classified as debt securities for accounting purposes and categorized as available-for-sale. The preferred shares are convertible to ordinary shares at the Company's option and are mandatorily convertible upon an initial public offering. The preferred shares also contain a redemption feature that can be exercised by the Company after certain points of time. These features have been evaluated as embedded derivatives, however, they do not meet the requirements to be accounted for separately. The investments are reported at estimated fair value in "Long-term investments" in the Company's Consolidated Balance Sheets, with the aggregate unrealized gains and losses, net of tax, reflected in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets.

6. FAIR VALUE MEASUREMENTS

Financial assets and liabilities carried at fair value at December 31, 2019 are classified in the categories described in the tables below (in millions):

	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents and restricted cash equivalents:				
Money market funds	\$ 5,734	\$ —	\$ —	\$ 5,734
Corporate debt securities	—	2	—	2
Time deposits and certificates of deposit	29	—	—	29
Short-term investments in marketable securities:				
International government securities	—	109	—	109
U.S. government securities	—	138	—	138
Corporate debt securities	—	751	—	751
Long-term investments:				
Investments in marketable securities:				
International government securities	—	68	—	68
U.S. government securities	—	135	—	135
Corporate debt securities	—	963	—	963
Trip.com Group convertible debt securities	—	767	—	767
Equity securities	1,793	—	—	1,793
Investments in private companies:				
Debt securities	—	—	250	250
Derivatives:				
Foreign currency exchange derivatives	—	12	—	12
Total assets at fair value	\$ 7,556	\$ 2,945	\$ 250	\$ 10,751
LIABILITIES				
Foreign currency exchange derivatives	\$ —	\$ 5	\$ —	\$ 5

Financial assets carried at fair value at December 31, 2018 are classified in the categories described in the tables below (in millions):

	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents and restricted cash equivalents:				
Money market funds	\$ 2,061	\$ —	\$ —	\$ 2,061
International government securities	—	21	—	21
U.S. government securities	—	1	—	1
Commercial paper	—	2	—	2
Time deposits and certificates of deposit	25	—	—	25
Short-term investments in marketable securities:				
International government securities	—	314	—	314
U.S. government securities	—	656	—	656
Corporate debt securities	—	2,681	—	2,681
U.S. government agency securities	—	1	—	1
Commercial paper	—	7	—	7
Time deposits and certificates of deposit	1	—	—	1
Long-term investments:				
Investments in marketable securities:				
International government securities	—	800	—	800
U.S. government securities	—	293	—	293
Corporate debt securities	—	4,401	—	4,401
Trip.com Group convertible debt securities	—	1,177	—	1,177
Equity securities	1,036	—	—	1,036
Investments in private companies:				
Debt securities	—	—	200	200
Derivatives:				
Foreign currency exchange derivatives	—	4	—	4
Total assets at fair value	<u>\$ 3,123</u>	<u>\$ 10,358</u>	<u>\$ 200</u>	<u>\$ 13,681</u>

The table above does not include contingent consideration related to a business acquisition (see Note 20).

There are three levels of inputs to measure fair value. The definition of each input is described below:

- Level 1: Quoted prices in active markets that are accessible by the Company at the measurement date for identical assets and liabilities.
- Level 2: Inputs that are observable, either directly or indirectly. Such prices may be based upon quoted prices for identical or comparable securities in active markets or inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available.

Investments in corporate debt securities, U.S. and international government securities, commercial paper, government agency securities and certain convertible debt securities are considered "Level 2" valuations because the Company has access to quoted prices, but does not have visibility into the volume and frequency of trading for all of these investments. For the Company's investments, a market approach is used for recurring fair value measurements and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace. See Note 5 for information related to the carrying value of the Company's investments in marketable securities.

The investments in private companies that are accounted for as debt securities with an aggregate fair value of \$250 million and \$200 million at December 31, 2019 and 2018, respectively, were considered a "Level 3" valuation and measured

using management's estimates that incorporate current market participant expectations of future cash flows considered alongside recent financing transactions of the investees and other relevant information. See Note 5 for further information related to these investments.

The Company's derivative instruments are valued using pricing models. Pricing models take into account the contract terms as well as multiple inputs where applicable, such as interest rate yield curves, option volatility and foreign currency exchange rates. Derivatives are considered "Level 2" fair value measurements. The Company's derivative instruments are typically short-term in nature.

At December 31, 2019 and 2018, the Company's cash consisted of bank deposits. Other financial assets and liabilities, including restricted cash, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings, are carried at cost which approximates their fair value because of the short-term nature of these items. See Note 12 for the estimated fair value of the Company's outstanding senior notes and Note 5 for information related to an embedded derivative associated with the \$25 million Trip.com Group convertible notes issued in 2016.

Derivatives Not Designated as Hedging Instruments

In the normal course of business, the Company is exposed to the impact of foreign currency fluctuations. The Company mitigates these risks by following established risk management policies and procedures, including the use of derivatives. The Company enters into foreign currency derivative contracts to hedge translation risks from short-term foreign currency exchange rate fluctuations for the Euro, British Pound Sterling and certain other currencies versus the U.S. Dollar. The Company also enters into foreign currency forward contracts to hedge its exposure to the impact of movements in foreign currency exchange rates on its transactional balances denominated in currencies other than the functional currency. See Note 2 for the Company's accounting policy related to derivative financial instruments.

The table below provides fair value and notional amount of foreign currency exchange derivatives outstanding at December 31, 2019 and 2018 (in millions). The notional amount of a foreign currency forward contract is the contracted amount of foreign currency to be exchanged and is not recorded on the balance sheet.

	December 31, 2019	December 31, 2018
Fair value of derivative assets	\$ 12	\$ 4
Fair value of derivative liabilities	5	—
Notional amount:		
Foreign currency purchases	1,770	1,324
Foreign currency sales	901	921

The effect of foreign currency exchange derivatives recorded in "Foreign currency transactions and other" in the Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017 is as follows (in millions):

	For the Year Ended December 31,		
	2019	2018	2017
(Losses) gains on foreign currency exchange derivatives	\$ (19)	\$ (44)	\$ 43

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable in the Consolidated Balance Sheets at December 31, 2019 and 2018 includes receivables from customers of \$1.2 billion for each period and receivables from marketing affiliates of \$110 million and \$67 million, respectively. See Note 2 for the Company's accounting policy related to receivables from customers. The remaining balance principally relates to receivables from third-party payment processors.

The Company records a provision for uncollectible receivables from customers and marketing affiliates. See Note 2 for the Company's accounting policy related to allowance for doubtful accounts. Changes in allowance for doubtful accounts for receivables from customers and marketing affiliates consist of the following (in millions):

	For the Year Ended December 31,		
	2019	2018	2017
Balance, beginning of year	\$ 51	\$ 35	\$ 21
Provision charged to expense	69	79	46
Write-offs and adjustments	(70)	(62)	(35)
Foreign currency translation adjustments	(1)	(1)	3
Balance, end of year	<u>\$ 49</u>	<u>\$ 51</u>	<u>\$ 35</u>

8. NET INCOME PER SHARE

The Company computes basic net income per share by dividing net income applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is based upon the weighted-average number of common and common equivalent shares outstanding during the period.

Common equivalent shares related to stock options, restricted stock units and performance share units are calculated using the treasury stock method. Performance share units are included in the weighted-average common equivalent shares based on the number of shares that would be issued if the end of the reporting period were the end of the performance period, if the result would be dilutive.

The Company's convertible notes have net share settlement features requiring the Company upon conversion to settle the principal amount of the debt for cash and the conversion premium for cash or shares of the Company's common stock, at the Company's option. Under the treasury stock method, if the conversion prices for the convertible notes exceed the Company's average stock price for the period, the convertible notes generally have no impact on diluted net income per share. The convertible notes are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury stock method.

A reconciliation of the weighted-average number of shares outstanding used in calculating diluted earnings per share is as follows (in thousands):

	For the Year Ended December 31,		
	2019	2018	2017
Weighted-average number of basic common shares outstanding	43,082	47,446	48,994
Weighted-average dilutive stock options, restricted stock units and performance share units	203	236	295
Assumed conversion of convertible senior notes	224	335	665
Weighted-average number of diluted common and common equivalent shares outstanding	<u>43,509</u>	<u>48,017</u>	<u>49,954</u>

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 2019 and 2018 consist of the following (in millions):

	2019	2018	Estimated Useful Lives (years)
Computer equipment	\$ 736	\$ 616	2 to 4 years
Capitalized software	442	348	2 to 5 years
Leasehold improvements	265	242	1 to 13 years
Office equipment, furniture and fixtures	61	55	2 to 7 years
Building construction-in-progress	161	88	
Total	1,665	1,349	
Less: Accumulated depreciation	(927)	(693)	
Property and equipment, net	\$ 738	\$ 656	

Depreciation expense was \$294 million, \$248 million and \$187 million for the years ended December 31, 2019, 2018 and 2017, respectively.

10. LEASES

See Note 2 for the Company's accounting policy related to leases.

The Company has operating leases for office space, data centers and the land for Booking.com's future headquarters (see Note 16). As of December 31, 2019, the Company's weighted-average discount rate and weighted-average remaining lease term were approximately 2.0% and 7.8 years, respectively. The Company had no finance leases as of December 31, 2019.

The Company recognized the following related to leases in its Consolidated Balance Sheet at December 31, 2019 (in millions):

	Classification in Consolidated Balance Sheet	December 31, 2019
Operating lease assets	Operating lease assets	\$ 620
Lease Liabilities:		
Current operating lease liabilities	Accrued expenses and other current liabilities	\$ 161
Non-current operating lease liabilities	Operating lease liabilities	462
Total operating lease liabilities		\$ 623

As of December 31, 2019, the operating lease liabilities will mature over the following periods (in millions):

2020	\$ 172
2021	151
2022	100
2023	62
2024	42
Thereafter	163
Total remaining lease payments	\$ 690
Less: Imputed interest	(67)
Total operating lease liabilities	\$ 623

As of December 31, 2019, the Company has entered into leases that have not yet commenced with future lease payments of approximately \$10 million which are not reflected in the table above. These leases will commence by 2021 with lease terms of up to 5 years and will be recognized upon lease commencement. In addition, the Company entered into an

agreement to sign a future lease in the city of Manchester in the United Kingdom for the future headquarters of Rentalcars.com (see Note 16).

At December 31, 2018, minimum lease payments for operating leases having an initial term in excess of one year under the previous lease standard ("ASC 840") were as follows (in millions):

2019	\$	164
2020		142
2021		110
2022		66
2023		52
Thereafter		190
Total minimum lease payments	\$	724

The Company recognized the following related to operating leases in its Consolidated Statement of Operations (in millions):

	Classification in Consolidated Statement of Operations	Year Ended December 31, 2019
Lease expense	General and administrative and Information technology	\$ 183
Variable lease expense	General and administrative and Information technology	56
Less: Sublease income	General and administrative	(2)
Total lease expense, net of sublease income		\$ 237

For the years ended December 31, 2018 and 2017, the Company recognized lease expense of \$149 million and \$120 million, respectively, under ASC 840.

Supplemental cash flow information related to operating leases is as follows (in millions):

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ 189
Operating lease assets obtained in exchange for operating lease liabilities	155

"Operating lease amortization" presented in the operating activities section of the Consolidated Statement of Cash Flows reflects the portion of the operating lease expense from the amortization of the operating lease assets.

11. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at December 31, 2019 and 2018 consist of the following (in millions):

	December 31, 2019			December 31, 2018			Amortization Period
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Supply and distribution agreements	\$ 1,100	\$ (472)	\$ 628	\$ 1,099	\$ (408)	\$ 691	3 - 20 years
Technology	170	(129)	41	173	(121)	52	1 - 7 years
Internet domain names	40	(32)	8	41	(30)	11	5 - 20 years
Trade names	1,811	(534)	1,277	1,810	(439)	1,371	4 - 20 years
Other intangible assets	2	(2)	—	3	(3)	—	Up to 15 years
Total intangible assets	\$ 3,123	\$ (1,169)	\$ 1,954	\$ 3,126	\$ (1,001)	\$ 2,125	

Intangible assets are amortized on a straight-line basis. Amortization expense was \$175 million, \$178 million and \$176 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The annual estimated amortization expense for intangible assets for the next five years and thereafter is expected to be as follows (in millions):

2020	\$ 167
2021	160
2022	157
2023	155
2024	155
Thereafter	1,160
	<u>\$ 1,954</u>

The changes in the balance of goodwill for the years ended December 31, 2019 and 2018 consist of the following (in millions):

	2019	2018
Balance, beginning of year ⁽¹⁾	\$ 2,910	\$ 2,738
Acquisitions	7	212
Foreign currency translation adjustments	(4)	(40)
Balance, end of year ⁽¹⁾	<u>\$ 2,913</u>	<u>\$ 2,910</u>

(1) The balances are net of an OpenTable goodwill impairment charge of \$941 million recognized in 2016.

A substantial portion of the Company's intangible assets and goodwill relates to the acquisition of OpenTable and KAYAK. At September 30, 2019, the Company performed its annual goodwill impairment testing and concluded that there was no impairment of goodwill. Since the annual impairment test, there have been no events or changes in circumstances to indicate a potential impairment to the Company's goodwill. In addition, the Company did not identify any impairment indicators for the Company's other long-lived assets at December 31, 2019.

12. DEBT

Short-term Borrowing

On December 31, 2018, the Company had a bank overdraft of \$25 million, which was repaid in January 2019. The bank overdraft is reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet at December 31, 2018.

Revolving Credit Facility

In August 2019, the Company entered into a \$2.0 billion five-year unsecured revolving credit facility with a group of lenders. Borrowings under the revolving credit facility will bear interest, at the Company's option, at a rate per annum equal to either (i) the London Inter-bank Offered Rate, or if such London Inter-bank Offered Rate is no longer available, the agreed alternate rate of interest ("LIBOR") (but no less than 0%) for the interest period in effect for such borrowing plus an applicable margin ranging from 0.875% to 1.50%; or (ii) for U.S. Dollar-denominated loans only, the sum of (x) the greatest of (a) JPMorgan Chase Bank, N.A.'s prime lending rate, (b) the U.S. federal funds rate plus 0.50% and (c) LIBOR (but no less than 0%) for an interest period of one month plus 1.00%, plus (y) an applicable margin ranging from 0% to 0.50%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.07% to 0.20%.

The revolving credit facility provides for the issuance of up to \$80 million of letters of credit as well as borrowings of up to \$100 million on same-day notice, referred to as swingline loans. Other than swingline loans, which are available only in U.S. Dollars, borrowings and letters of credit under the revolving credit facility may be made in U.S. Dollars, Euros, British Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility can be used for working capital and general corporate purposes, including acquisitions, share repurchases and debt repayments. At December 31, 2019, there were no borrowings outstanding and \$5 million of letters of credit issued under this revolving credit facility.

Upon entering into this new revolving credit facility, the Company terminated its \$2.0 billion five-year revolving credit facility entered into in June 2015. At December 31, 2018, there were no borrowings outstanding and \$5 million of letters of credit issued under the prior revolving credit facility. During the first half of 2019, the Company made several short-term borrowings under the prior revolving credit facility totaling \$400 million with a weighted-average interest rate of 3.5%, all of which were repaid prior to June 30, 2019.

Outstanding Debt

Outstanding debt at December 31, 2019 consists of the following (in millions):

December 31, 2019	Outstanding Principal Amount	Unamortized Debt Discount and Debt Issuance Cost	Carrying Value
Current Liabilities:			
0.35% Convertible Senior Notes due June 2020	\$ 1,000	\$ (12)	\$ 988
Long-term debt:			
0.9% Convertible Senior Notes due September 2021	\$ 1,000	\$ (39)	\$ 961
0.8% (€1 Billion) Senior Notes due March 2022	1,123	(3)	1,120
2.15% (€750 Million) Senior Notes due November 2022	842	(3)	839
2.75% Senior Notes due March 2023	500	(2)	498
2.375% (€1 Billion) Senior Notes due September 2024	1,123	(9)	1,114
3.65% Senior Notes due March 2025	500	(2)	498
3.6% Senior Notes due June 2026	1,000	(5)	995
1.8% (€1 Billion) Senior Notes due March 2027	1,123	(5)	1,118
3.55% Senior Notes due March 2028	500	(3)	497
Total long-term debt	\$ 7,711	\$ (71)	\$ 7,640

Outstanding debt at December 31, 2018 consists of the following (in millions):

December 31, 2018	Outstanding Principal Amount	Unamortized Debt Discount and Debt Issuance Cost	Carrying Value
Long-term debt:			
0.35% Convertible Senior Notes due June 2020	\$ 1,000	\$ (39)	\$ 961
0.9% Convertible Senior Notes due September 2021	1,000	(61)	939
0.8% (€1 Billion) Senior Notes due March 2022	1,143	(5)	1,138
2.15% (€750 Million) Senior Notes due November 2022	858	(4)	854
2.75% Senior Notes due March 2023	500	(3)	497
2.375% (€1 Billion) Senior Notes due September 2024	1,143	(10)	1,133
3.65% Senior Notes due March 2025	500	(3)	497
3.6% Senior Notes due June 2026	1,000	(6)	994
1.8% (€1 Billion) Senior Notes due March 2027	1,143	(4)	1,139
3.55% Senior Notes due March 2028	500	(3)	497
Total long-term debt	\$ 8,787	\$ (138)	\$ 8,649

Based on the closing price of the Company's common stock for the prescribed measurement periods for the three months ended December 31, 2019 and 2018, the contingent conversion thresholds on the 2020 Notes (as defined below) and 2021 Notes (as defined below) were not exceeded; therefore, these notes were not convertible at the option of the holder.

Fair Value of Debt

At December 31, 2019 and 2018, the estimated fair value of the outstanding debt was approximately \$9.8 billion and \$9.3 billion, respectively, and was considered a "Level 2" fair value measurement (see Note 6). Fair value was estimated based upon actual trades at the end of the reporting period or the most recent trade available as well as the Company's stock price at the end of the reporting period. A substantial portion of the fair value of the Company's debt in excess of the outstanding principal amount relates to the conversion premium on the convertible senior notes.

Convertible Senior Notes

If the note holders exercise their option to convert, the Company delivers cash to repay the principal amount of the notes and delivers shares of common stock or cash, at its option, to satisfy the conversion value in excess of the principal amount. If the Company's convertible debt is redeemed or converted prior to maturity, a gain or loss on extinguishment is recognized. The gain or loss is the difference between the fair value of the debt component immediately prior to extinguishment and its carrying value. To estimate the fair value of the debt at the conversion date, the Company estimates the borrowing rate, considering its credit rating and similar debt of comparable corporate issuers without the conversion feature.

Description of Convertible Senior Notes

In August 2014, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due September 15, 2021, with an interest rate of 0.9% (the "2021 Notes"). The Company paid \$11 million in debt issuance costs during the year ended December 31, 2014, related to this offering. The 2021 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of \$2,055.50 per share. The 2021 Notes are convertible, at the option of the holder, prior to September 15, 2021, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2021 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2021 Notes in an aggregate value ranging from \$0 to \$375 million depending upon the date of the transaction and the then current stock price of the Company. Starting on June 15, 2021, holders will have the right to convert all or any portion of the 2021 Notes, regardless of the Company's stock price. The 2021 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2021 Notes for cash in certain circumstances. Interest on

the 2021 Notes is payable on March 15 and September 15 of each year. At December 31, 2019, the if-converted value of the 2021 Notes did not exceed the aggregate principal amount.

In May 2013, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due June 15, 2020, with an interest rate of 0.35% (the "2020 Notes"). The 2020 Notes were issued with an initial discount of \$20 million. The Company paid \$1 million in debt issuance costs during the year ended December 31, 2013, related to this offering. The 2020 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of \$1,315.10 per share. The 2020 Notes are convertible, at the option of the holder, prior to June 15, 2020, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2020 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2020 Notes in an aggregate value ranging from \$0 to \$397 million depending upon the date of the transaction and the then current stock price of the Company. Starting on March 15, 2020, holders will have the right to convert all or any portion of the 2020 Notes, regardless of the Company's stock price. The 2020 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2020 Notes for cash in certain circumstances. Interest on the 2020 Notes is payable on June 15 and December 15 of each year. At December 31, 2019, the if-converted value of the 2020 Notes exceeded the aggregate principal amount by \$488 million.

In March 2012, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due March 15, 2018, with an interest rate of 1.0% (the "2018 Notes"). The 2018 Notes were convertible, subject to certain conditions, into the Company's common stock at a conversion price of \$944.61 per share. In March 2018, in connection with the maturity of the remaining outstanding 2018 Notes, the Company paid \$714 million to satisfy the aggregate principal amount due and paid an additional \$773 million in satisfaction of the conversion value in excess of the principal amount.

Cash-settled convertible debt, such as the Company's convertible senior notes, is separated into debt and equity components at issuance and each component is assigned a value. The value assigned to the debt component is the estimated fair value, at the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, is recorded as a debt discount. Debt discount is amortized using the effective interest rate method over the period from the origination date through the stated maturity date. The Company estimated the borrowing rates at debt origination to be 3.18% for the 2021 Notes, 3.13% for the 2020 Notes and 3.50% for the 2018 Notes, considering its credit rating and similar debt of comparable corporate issuers without the conversion feature. The yield to maturity was estimated at an at-market coupon priced at par.

Debt discount, after tax of \$83 million (\$143 million before tax) related to the 2021 Notes, \$92 million (\$154 million before tax) related to the 2020 Notes and \$81 million (\$135 million before tax) related to the 2018 Notes less financing costs associated with the equity component of the respective convertible notes was recorded in "Additional paid-in capital" in the Consolidated Balance Sheets at debt origination.

For the years ended December 31, 2019, 2018 and 2017, the Company recognized interest expense of \$62 million, \$66 million and \$94 million, respectively, related to convertible notes, which is almost entirely comprised of the amortization of debt discount of \$48 million, \$50 million and \$68 million, respectively, and the contractual coupon interest of \$12 million, \$14 million and \$21 million, respectively. For the years ended December 31, 2019, 2018 and 2017, included in the amortization of debt discount mentioned above was \$3 million of original issuance discount related to the 2020 Notes for each period. The remaining interest expense relates to the amortization of debt issuance costs. The remaining period for amortization of debt discount and debt issuance costs is the period until the stated maturity date for the respective debt. The weighted-average effective interest rates for the years ended December 31, 2019, 2018 and 2017 are 3.2%, 3.2% and 3.4%, respectively.

Other Long-term Debt

Other long-term debt had a total carrying value of \$6.7 billion at both December 31, 2019 and 2018. Debt discount is amortized using the effective interest rate method over the period from the origination date through the stated maturity date. The following table summarizes the information related to other long-term debt:

Other Long-term Debt	Period of Issuance	Effective Interest Rate at Debt Origination	Timing of Interest Payments
0.8% Senior Notes due March 2022	March 2017	0.84%	Annually in March
2.15% Senior Notes due November 2022	November 2015	2.20%	Annually in November
2.75% Senior Notes due March 2023	August 2017	2.78%	Semi-annually in March and September
2.375% Senior Notes due September 2024	September 2014	2.48%	Annually in September
3.65% Senior Notes due March 2025	March 2015	3.68%	Semi-annually in March and September
3.6% Senior Notes due June 2026	May 2016	3.62%	Semi-annually in June and December
1.8% Senior Notes due March 2027	March 2015	1.80%	Annually in March
3.55% Senior Notes due March 2028	August 2017	3.56%	Semi-annually in March and September

For the years ended December 31, 2019, 2018 and 2017, the Company recognized interest expense of \$166 million, \$170 million and \$145 million, respectively, related to other long-term debt, which was almost entirely comprised of \$160 million, \$163 million and \$139 million, respectively, related to the contractual coupon interest. The remaining interest expense relates to the amortization of debt discount and debt issuance costs. The remaining period for amortization of debt discount and debt issuance costs is the period until the stated maturity dates for the respective debt.

Historically, the aggregate principal value of the Euro-denominated Senior Notes maturing in March 2022, November 2022, September 2024 and March 2027 (collectively the "Euro-denominated debt") and accrued interest thereon had been designated as a hedge of the Company's net investment in a Euro functional currency subsidiary. Beginning in the second quarter of 2019, the Company has only designated certain portions of the aggregate principal value of the Euro-denominated debt as a hedge. For the year ended December 31, 2019, the carrying value of the portions of Euro-denominated debt, including accrued interest, designated as a net investment hedge, ranged from \$2.4 billion to \$4.3 billion. The foreign currency transaction gains or losses on these Euro-denominated liabilities are measured based upon changes in spot rates. The foreign currency transaction gains or losses on the Euro-denominated debt that is designated as a hedging instrument for accounting purposes are recorded in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The net assets of this Euro functional currency subsidiary are translated into U.S. Dollars at each balance sheet date, with the effects of foreign currency changes also reported in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations.

13. TREASURY STOCK

At December 31, 2018, the Company had a total remaining authorization of \$4.5 billion to repurchase its common stock related to a program authorized by the Company's Board of Directors in 2018 for \$8.0 billion. In the second quarter of 2019, the Company's Board of Directors authorized an additional program to repurchase up to \$15.0 billion of the Company's common stock. At December 31, 2019, the Company had a total remaining authorization of \$11.5 billion to repurchase its common stock. The Company has continued to make repurchases of its common stock in the first quarter of 2020 and may continue to make repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. Whether and when to initiate and/or complete any repurchase of common stock and the amount of common stock to be repurchased will be determined at the Company's discretion. Additionally, the Board of Directors has given the Company the general authorization to repurchase shares of its common stock withheld to satisfy employee withholding tax obligations related to stock-based compensation.

The following table summarizes the Company's stock repurchase activities during the years ended December 31, 2019, 2018 and 2017 (in millions, except for shares, which are reflected in thousands):

	2019		2018		2017	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized stock repurchase programs	4,358	\$ 8,002	3,020	\$ 5,850	969	\$ 1,744
General authorization for shares withheld on stock award vesting	87	151	80	162	57	100
Total	4,445	\$ 8,153	3,100	\$ 6,012	1,026	\$ 1,844
Shares repurchased in December and settled in following January	19	\$ 40	43	\$ 74	18	\$ 32

For the years ended December 31, 2019, 2018 and 2017, the Company remitted \$151 million, \$163 million and \$101 million of employee withholding taxes, respectively, to the tax authorities, which is different from the aggregate cost of the shares withheld for taxes for each year due to the timing in remitting the taxes. The cash remitted to the tax authorities is included in financing activities in the Consolidated Statements of Cash Flows.

At December 31, 2019, there were 21,762,070 shares of the Company's common stock held in treasury.

14. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

The table below presents the changes in the balances of accumulated other comprehensive income (loss) ("AOCI") by component for the years ended December 31, 2017, 2018 and 2019 (in millions):

	Foreign currency translation adjustments, net of tax					Net unrealized gains (losses) on available-for-sale securities, net of tax ⁽¹⁾			Total AOCI, net of tax
	Foreign currency translation		Net Investment Hedges ⁽²⁾		Total, net of tax	Before tax	Tax (expense) benefit ⁽⁴⁾	Total, net of tax	
	Before tax	Tax benefit ⁽³⁾	Before tax	Tax (expense) benefit					
Balance, December 31, 2016	\$ (460)	\$ —	\$ 258	\$ (110)	\$ (312)	\$ 186	\$ (9)	\$ 177	(135)
Other Comprehensive Income ("OCI") before reclassifications	670	—	(548)	175	297	158	(81)	77	374
Amounts reclassified to net income ⁽⁵⁾	—	—	—	—	—	(1)	—	(1)	(1)
OCI for the period	670	—	(548)	175	297	157	(81)	76	373
Balance, December 31, 2017	\$ 210	\$ —	\$ (290)	\$ 65	\$ (15)	\$ 343	\$ (90)	\$ 253	\$ 238
OCI before reclassifications	(319)	41	217	(53)	(114)	(201)	2	(199)	(313)
OCI for the period	(319)	41	217	(53)	(114)	(201)	2	(199)	(313)
Amounts reclassified to retained earnings ⁽²⁾	—	—	—	—	—	(299)	58	(241)	(241)
Balance, December 31, 2018	\$ (109)	\$ 41	\$ (73)	\$ 12	\$ (129)	\$ (157)	\$ (30)	\$ (187)	\$ (316)
OCI before reclassifications	(77)	13	71	(17)	(10)	161	(37)	124	114
Amounts reclassified to net income ⁽⁵⁾	—	—	—	—	—	(11)	22	11	11
OCI for the period	(77)	13	71	(17)	(10)	150	(15)	135	125
Balance, December 31, 2019	\$ (186)	\$ 54	\$ (2)	\$ (5)	\$ (139)	\$ (7)	\$ (45)	\$ (52)	\$ (191)

(1) Upon the adoption of the accounting update on financial instruments on January 1, 2018, the Company reclassified net unrealized gains, net of tax, of \$241 million (\$299 million before tax) related to marketable equity securities from AOCI to retained earnings. Changes in fair value of marketable equity securities subsequent to January 1, 2018 are recognized in net income rather than "Accumulated other comprehensive loss" in the Consolidated Balance Sheets (see Note 2).

- (2) Net investment hedges balance, net of tax, at December 31, 2016, 2017, 2018 and 2019 include accumulated net losses from fair value adjustments of \$35 million (\$53 million before tax) associated with previously settled derivatives that were designated as net investment hedges. The remaining balances relate to foreign currency transaction gains (losses) and related tax benefits (expenses) associated with the Company's Euro-denominated debt that is designated as a hedge against the impact of currency fluctuations on the net assets of a Euro functional currency subsidiary (see Notes 2 and 12).
- (3) The tax benefits relate to foreign currency translation adjustments to the Company's one-time deemed repatriation tax liability recorded at December 31, 2017 and foreign earnings for periods after December 31, 2017 that are subject to U.S. federal and state income tax, resulting from the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Act"). Prior to January 1, 2018, foreign currency translation adjustments were not subject to U.S. federal and state income taxes as a result of the Company's intention to indefinitely reinvest the earnings of its international subsidiaries outside of the United States.
- (4) The tax expense for the year ended December 31, 2017 includes a U.S. deferred tax expense of \$63 million related to net cumulative unrealized gains associated with certain international investments.
- (5) The reclassified net gains on available-for-sale securities, before tax, are included in "Foreign currency transactions and other" and the reclassified tax expenses are included in "Income tax expense" in the Consolidated Statements of Operations. For the year ended December 31, 2019, the reclassified tax expenses includes a tax expense of \$21 million related to the maturity in August 2019 of the Company's investment of \$500 million in Trip.com Group convertible notes (see Note 5).

15. INCOME TAXES

International pre-tax income was \$5.7 billion, \$4.8 billion and \$4.5 billion for the years ended December 31, 2019, 2018 and 2017, respectively. U.S. pre-tax income was \$213 million and \$47 million for the years ended December 31, 2019 and 2018, respectively, and U.S. pre-tax loss was \$122 million for the year ended December 31, 2017.

Provision for Income Taxes

The income tax expense (benefit) for the year ended December 31, 2019 is as follows (in millions):

	Current	Deferred	Total
International	\$ 915	\$ (12)	\$ 903
U.S. Federal	22	166	188
U.S. State	34	(32)	2
Total	\$ 971	\$ 122	\$ 1,093

The income tax expense (benefit) for the year ended December 31, 2018 is as follows (in millions):

	Current	Deferred	Total
International	\$ 887	\$ (3)	\$ 884
U.S. Federal	45	(107)	(62)
U.S. State	55	(40)	15
Total	\$ 987	\$ (150)	\$ 837

The income tax expense (benefit) for the year ended December 31, 2017 is as follows (in millions):

	Current	Deferred	Total
International	\$ 756	\$ (10)	\$ 746
U.S. Federal	1,327	(57)	1,270
U.S. State	7	35	42
Total	\$ 2,090	\$ (32)	\$ 2,058

U.S. Tax Reform

In December 2017, the Tax Act was enacted into law in the United States. The Tax Act made significant changes to U.S. federal tax law, including a reduction in the U.S. federal statutory tax rate from 35% to 21%, effective January 1, 2018. The Tax Act imposed a one-time deemed repatriation tax on accumulated unremitted international earnings, to be paid over eight years. The Company recorded provisional income tax expense of approximately \$1.6 billion during the year ended December 31, 2017 in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which included U.S. state income taxes and international withholding taxes, related to the mandatory deemed repatriation of estimated accumulated international earnings of approximately \$16.5 billion. The Company also recorded a provisional net income tax benefit of \$217 million during the year ended December 31, 2017 related to the remeasurement of the Company's U.S. deferred tax assets and liabilities due to the reduction of the U.S. federal statutory rate from 35% to 21%. The Company expected to use approximately \$204 million of deferred tax assets related to federal net operating loss carryforwards ("NOLs") and approximately \$46 million of other tax credit carryforwards, and accordingly, reduced the transition tax liability to approximately \$1.3 billion, which was included in "Long-term U.S. transition tax liability" in the Consolidated Balance Sheet as of December 31, 2017.

In 2018, the Company recorded an income tax benefit of \$46 million to adjust its provisional income tax expense that was recorded during the year ended December 31, 2017 relating to the federal one-time deemed repatriation liability, as well as U.S. state income taxes and international withholding taxes associated with the mandatory deemed repatriation. In addition, the Company recorded an income tax benefit of \$2 million in 2018 to adjust the remeasurement of its U.S. deferred tax assets and liabilities due to the reduction of the U.S. federal statutory tax rate that resulted from the Tax Act.

In 2019, as a result of additional technical guidance issued by U.S. federal and state tax authorities with respect to the Tax Act, the Company recorded an income tax benefit of \$17 million to adjust its income tax expense that was recorded during the year ended December 31, 2017 relating to the federal one-time deemed repatriation liability, as well as U.S. state income taxes associated with the mandatory deemed repatriation. The Company utilized \$116 million of deferred tax assets related to U.S. federal NOLs and \$111 million of other tax credit carryforwards to reduce its transition tax liability as of December 31, 2019.

Under the Tax Act, the Company's international cash and investments as of December 31, 2017, amounting to \$16.2 billion, as well as future cash generated by the Company's international operations, generally can be repatriated without further U.S. federal income tax, but will be subject to U.S. state income taxes and international withholding taxes, which have been accrued by the Company.

The Tax Act also introduced in 2018 a tax on 50% of GILTI, which is income determined to be in excess of a specified routine rate of return, and a base erosion and anti-abuse tax ("BEAT") aimed at preventing the erosion of the U.S. tax base. The Company has adopted an accounting policy to treat taxes on GILTI as period costs.

Deferred Income Taxes

The Company utilized \$330 million of its U.S. NOLs to reduce its U.S. federal tax liability for the deemed repatriation tax. After utilization of available NOLs, at December 31, 2019, the Company had U.S. federal NOLs of \$81 million, which are subject to an annual limitation and mainly expire from December 31, 2020 to December 31, 2021, and U.S. state NOLs of \$317 million, which mainly expire between December 31, 2020 and December 31, 2034. In addition, at December 31, 2019, the Company had \$97 million of non-U.S. NOLs, and \$20 million of U.S. research tax credit carryforwards available to reduce future tax liabilities and the majority of both do not have an expiration date.

The utilization of these NOLs, allowances and credits is dependent upon the Company's ability to generate sufficient future taxable income and the tax laws in the jurisdictions where the losses were generated. The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of these deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future income, tax planning strategies, the carryforward periods available for tax reporting purposes and other relevant factors.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2019 and 2018 are as follows (in millions):

	2019	2018
Deferred tax assets/(liabilities):		
Net operating loss carryforward — U.S.	\$ 37	\$ 59
Net operating loss carryforward — International	15	20
Accrued expenses	35	50
Stock-based compensation and other stock based payments	49	51
Foreign currency translation adjustment	36	27
Tax credits	14	46
Euro-denominated debt	—	5
Operating lease liabilities	38	—
Property and equipment	31	6
Subtotal - deferred tax assets	255	264
Discount on convertible notes	(10)	(22)
Intangible assets and other	(133)	(482)
Euro-denominated debt	(14)	—
State income tax on accumulated unremitted international earnings	(8)	(25)
Unrealized gains on investments	(191)	(2)
Operating lease assets	(35)	—
Installment sale liability	(284)	—
Other	(11)	(15)
Subtotal - deferred tax liabilities	(686)	(546)
Valuation allowance on deferred tax assets	(45)	(36)
Net deferred tax liabilities ⁽¹⁾	\$ (476)	\$ (318)

(1) Includes deferred tax assets of \$400 million and \$51 million at December 31, 2019 and 2018, respectively, reported in "Other assets" in the Consolidated Balance Sheets.

During the year ended December 31, 2019, the Company recorded a deferred tax asset of \$335 million, which is included in "Other Assets" in the Consolidated Balance Sheet, and a deferred tax liability of \$325 million, both related to an internal restructuring.

The valuation allowance on deferred tax assets of \$45 million at December 31, 2019 includes \$30 million related to international operations and \$15 million primarily related to U.S. research credits, capital loss carryforwards and Connecticut NOLs. The valuation allowance on deferred tax assets of \$36 million at December 31, 2018 includes \$20 million related to international operations and \$16 million primarily related to U.S. research credits, capital loss carryforwards and Connecticut NOLs.

Pursuant to the adoption of an accounting update on January 1, 2017 related to share-based compensation, the Company recorded a deferred tax asset of \$301 million related to previously unrecognized U.S. equity tax deductions, with an offsetting cumulative-effect adjustment to retained earnings, the majority of which was utilized during the year ended December 31, 2017.

The Company does not intend to indefinitely reinvest its international earnings that were subject to U.S. taxation pursuant to the mandatory deemed repatriation or subject to U.S. taxation as GILTI.

Reconciliation of U.S. Federal Statutory Income Tax Rate to Effective Income Tax Rate

A significant portion of the Company's taxable earnings is generated in the Netherlands. According to Dutch corporate income tax law, income generated from qualifying innovative activities is taxed at a rate of 7% ("Innovation Box Tax") for periods beginning on or after January 1, 2018 rather than the Dutch statutory rate of 25%. Previously, the Innovation Box Tax rate had been 5%. A portion of Booking.com's earnings during the years ended December 31, 2019, 2018 and 2017 qualified for Innovation Box Tax treatment, which had a significant beneficial impact on the Company's effective tax rate for those years.

The effective income tax rate of the Company is different from the amount computed using the expected U.S. statutory federal rate of 21% in 2019 and 2018 and 35% in 2017 as a result of the following items (in millions):

	2019	2018	2017
Income tax expense at U.S. federal statutory rate	\$ 1,251	\$ 1,015	\$ 1,539
Adjustment due to:			
Foreign rate differential	210	210	(458)
Innovation Box Tax benefit	(443)	(435)	(397)
Tax Act - Remeasurement of deferred tax balances	—	(2)	(217)
Tax Act - U.S. transition tax and other transition impacts	(17)	(46)	1,563
Other	92	95	28
Income tax expense	<u>\$ 1,093</u>	<u>\$ 837</u>	<u>\$ 2,058</u>

Uncertain Tax Positions

See Note 2 for the Company's accounting policy on uncertain tax positions. The following is a reconciliation of the total beginning and ending amount of unrecognized tax benefits (in millions):

	2019	2018	2017
Unrecognized tax benefit — January 1	\$ 45	\$ 32	\$ 33
Gross increases — tax positions in current period	3	1	5
Gross increases — tax positions in prior periods	11	19	5
Gross decreases — tax positions in prior periods	(3)	(3)	(9)
Reduction due to lapse in statute of limitations	—	(2)	(1)
Reduction due to settlements during the current period	—	(2)	(1)
Unrecognized tax benefit — December 31	<u>\$ 56</u>	<u>\$ 45</u>	<u>\$ 32</u>

The unrecognized tax benefits are included in "Other long-term liabilities" and "Deferred income taxes" in the Consolidated Balance Sheets for the years ended December 31, 2019 and 2018. The unrecognized tax benefits, if recognized, would affect the effective tax rate. The Company does not expect further significant changes in the amount of unrecognized tax benefits during the next twelve months. As of December 31, 2019 and 2018, total gross interest and penalties accrued was \$10 million and \$8 million, respectively.

The Company's major taxing jurisdictions include: the Netherlands, United States, Singapore and United Kingdom. The statutes of limitations that remain open related to these major tax jurisdictions are: the Company's Netherlands returns from 2014 and forward, U.S. returns for 2014 and forward, Singapore returns from 2017 and forward and U.K. returns for 2015 and forward. An income tax waiver has been executed for the U.S. federal 2015 return that would extend the period subject to examination beyond the period prescribed by statute or for the period just stated above. The Company's 2015 U.S. federal income tax return is currently under audit by the Internal Revenue Service. See Note 16 for more information regarding tax contingencies.

Competition and Consumer Protection Reviews

At times, online platforms, including online travel platforms, have been the subject of investigations or inquiries by various national competition authorities ("NCAs") or other governmental authorities regarding competition law matters, consumer protection issues or other areas of concern. The Company is or has been involved in many such investigations. For example, the Company has been and continues to be involved in investigations related to whether Booking.com's contractual parity arrangements with accommodation providers, sometimes also referred to as "most favored nation" or "MFN" provisions, are anti-competitive because they require accommodation providers to provide Booking.com with room rates, conditions or availability that are at least as favorable as those offered to other online travel companies ("OTCs") or through the accommodation provider's website. To resolve and close certain of the investigations, the Company has from time to time made commitments to the investigating authorities regarding future business practices or activities. For example, Booking.com has made commitments to several NCAs, including agreeing to narrow the scope of its parity clauses, in order to resolve parity-related investigations. In addition, in September 2017, the Swiss Price Surveillance Office opened an investigation into the level of commissions of Booking.com in Switzerland and the investigation is ongoing. Some authorities are reviewing the online hotel booking sector more generally through market inquiries and the Company cannot predict the outcome of such inquiries or any resulting impact on its business, results of operations, cash flows or financial condition.

NCAs or other governmental authorities are continuing to review the activities of online platforms, including through the use of consumer protection powers. In October 2017 the United Kingdom's NCA (the Competition and Markets Authority, or CMA) launched a consumer protection law investigation into the clarity, accuracy and presentation of information on hotel booking sites with a specific focus on the display of search results (e.g., ranking), claims regarding discounts, methods of "pressure selling" (such as allegedly creating false impressions regarding room availability) and failure to disclose hidden charges. In connection with this investigation, Booking.com, agoda and KAYAK, along with a number of other OTCs, voluntarily agreed to certain commitments with the CMA addressing its concerns in resolution of this investigation, which took effect on September 1, 2019. Among other things, the commitments provided to the CMA included showing prices inclusive of all mandatory taxes and charges, providing information about the effect of money earned on search result rankings on or before the search results page and making certain adjustments to how discounts and statements concerning popularity or availability are shown to consumers. The CMA has stated that it expects all participants in the online travel market to adhere to the same standards, regardless of whether they formally signed the commitments. The commitments concluded the CMA's investigation without finding an infringement or an admission of wrongdoing of the OTCs involved. As a result of additional inquiries from other NCAs in the European Economic Area, Booking.com has made similar commitments with the Consumer Protection Cooperation Network (the "CPCN") to be applicable in the European Union beginning in June 2020. The Company is unable to predict what, if any, effect the commitments made to the CMA and the CPCN will have on its business, industry practices or online commerce more generally.

The Company is unable to predict how any current or future investigations or litigation may be resolved or the long-term impact of any such resolution on its business. For example, competition and consumer-law-related investigations, legislation or issues have and could in the future result in private litigation. More immediate results could include, among other things, the imposition of fines, commitments to change certain business practices or reputational damage, any of which could harm the Company's business, results of operations, brands or competitive position.

Tax Matters

French tax authorities conducted an audit of Booking.com for the years 2003 through 2012 and are conducting audits for the years 2013 through 2018. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income and value-added taxes. In December 2015, the French tax authorities issued Booking.com assessments related to tax years 2003 through 2012 for approximately 356 million Euros, the majority of which represents penalties and interest. As a result of a formal demand from the French tax authorities for payment of the amounts assessed for the years 2003 through 2012, in January 2019, the Company paid the assessments of approximately 356 million Euros (\$403 million) in order to preserve its right to contest those assessments in court. The payment, which is included in "Other assets" in the Consolidated Balance Sheet at December 31, 2019, does not constitute an admission that the Company owes the taxes and will be refunded (with interest) to the Company to the extent the Company prevails. If the Company is unable to resolve the matter with the French tax authorities, the Company plans to challenge the assessments in the French courts. In December 2019, the French tax authorities issued an additional assessment of 70 million Euros (\$79 million), including interest and penalties, for the 2013 year asserting that Booking.com has taxable income in France attributable to a permanent establishment in France. Furthermore, the French tax authorities issued assessments totaling 39 million Euros (\$44 million), including interest and penalties, for certain tax years between 2011 and 2015 on Booking.com's French subsidiary

asserting that the subsidiary did not receive sufficient compensation for the services it rendered to Booking.com in the Netherlands. The Company has not recorded a liability in connection with any of the French tax assessments as the Company believes that Booking.com has been, and continues to be, in compliance with French tax law, and the Company is contesting the assessments. Additional assessments could result when the French tax authorities complete the outstanding audits.

Italian authorities are reviewing Booking.com's activities for the years 2011 through 2018. They are reviewing whether Booking.com has a permanent establishment in Italy and Booking.com's transfer pricing policies in Italy. The Company is cooperating with the investigation but intends to contest any allegation that Booking.com has a permanent establishment in Italy or that its transfer pricing policies are inappropriate. In December 2018 and December 2019, respectively, the Italian tax authorities issued assessments on Booking.com's Italian subsidiary for approximately 48 million Euros (\$53 million) for the 2013 tax year and 58 million Euros (\$65 million) for the 2014 tax year asserting that its transfer pricing policies were inadequate. The Company has not recorded a liability in connection with these assessments. The Company believes that Booking.com has been, and continues to be, in compliance with Italian tax law. The company paid 10 million Euros (\$11 million) in December 2019 as a partial payment of the 2013 assessment. The payment, which is included in "Other assets" in the Consolidated Balance Sheet at December 31, 2019, does not constitute an admission that the Company owes the taxes and will be refunded (with interest) to the Company to the extent the Company prevails. It is unclear what further actions, if any, the Italian authorities will take. Such actions could include closing the investigation, assessing Booking.com additional taxes, imposing interest, fines and penalties and/or bringing criminal charges.

In addition, Turkish tax authorities have asserted that Booking.com has a permanent establishment in Turkey and have issued tax assessments for the years 2012 through 2017 for approximately 544 million Turkish Lira (\$91 million), including interest and penalties. The Company believes that Booking.com has been, and continues to be, in compliance with Turkish tax law, and the Company is contesting these assessments. The Company has not recorded a liability in connection with these assessments.

As a result of an internal review of tax policies and positions at one of the Company's smaller subsidiaries, the Company identified two issues related to the application of certain non-income-based tax laws to that subsidiary's business. In 2018, the Company accrued related travel transaction taxes totaling approximately \$46 million, based on the Company's estimate of the probable travel transaction tax owed for the prior periods, including interest and penalties, as applicable. At December 31, 2019, the Company had \$67 million accrued related to these travel transaction taxes. The related expenses are included in "General and administrative" expense in the Consolidated Statement of Operations. The Company currently estimates that the reasonably possible loss related to these matters in excess of the amount accrued is approximately \$25 million. The Company's internal review is ongoing, and, to the extent the Company determines that the probable taxes owed related to these matters exceed what has already been accrued or new issues are identified during this review, the Company may need to accrue additional amounts, which could adversely affect the Company's business, results of operations, financial condition and cash flows.

During the second quarter of 2019, the Company identified the nonpayment in prior periods of a wage-related tax under Netherlands' law on compensation paid to certain highly-compensated former employees in the year of their separation from employment with Booking.com. The Company has informed the Dutch tax authorities of the nonpayment and, to correct this immaterial error, has paid an amount of \$61 million based on the Company's estimate of the probable tax owed for prior tax years, including interest (but not including any potential penalties, which cannot reasonably be estimated). This expense is recorded in "Personnel" expenses in the Consolidated Statement of Operations for the year ended December 31, 2019.

From time to time, the Company is involved in other tax-related audits, investigations or proceedings, which could relate to income taxes, value-added taxes, sales taxes, employment taxes, etc. For example, the Company is subject to legal proceedings in the United States related to travel transaction taxes (e.g., hotel occupancy taxes, sales taxes, etc.).

Any taxes or other assessments in excess of the Company's current tax provisions, whether in connection with the foregoing or otherwise (including the resolution of any tax proceedings), could have a materially adverse impact on the Company's results of operations, cash flows and financial condition.

Other Matters

Beginning in 2014, Booking.com received several letters from the Netherlands Pension Fund for the Travel Industry (Reiswerk) ("BPF") claiming that Booking.com is required to participate in the mandatory pension scheme of the BPF with retroactive effect to 1999, which has a higher contribution rate than the pension scheme in which Booking.com is currently participating. BPF instituted legal proceedings against Booking.com and in 2016 the District Court of Amsterdam rejected all of BPF's claims. BPF appealed the decision to the Court of Appeal, and, in May 2019, the Court of Appeal also rejected all of

BPF's claims. BPF has appealed to the Netherlands Supreme Court. The Company expects the Supreme Court to rule in early 2021. The Company believes that Booking.com is in compliance with its pension obligations. The Company has not recorded a liability in connection with a potential adverse outcome to this litigation. However, if Booking.com were to lose and all of BPF's claims were to be accepted (including retroactivity to 1999), the Company estimates that as of December 31, 2019 the maximum loss, not including any potential interest or penalties, would be approximately \$200 million. Such estimated potential loss increases as Booking.com continues not to contribute to the BPF and depends on Booking.com's applicable employee compensation after December 31, 2019.

The Company accrues for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Such accrued amounts are not material to the Company's balance sheets and provisions recorded have not been material to the Company's results of operations or cash flows.

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third-party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives and adversely affect the Company's business, results of operations, financial condition and cash flows.

Building Construction

In September 2016, the Company signed a turnkey agreement to construct an office building for Booking.com's future headquarters in the Netherlands for 270 million Euros. Upon signing this agreement, the Company paid 43 million Euros for the acquired land-use rights, which was included in "Other assets" in the Consolidated Balance Sheets for periods prior to January 1, 2019. The land-use rights were reclassified from "Other assets" to "Operating lease assets" on January 1, 2019 as part of the adoption of ASC 842, *Leases* (see Note 2). In addition, since signing the turnkey agreement the Company has made several progress payments principally related to the construction of the building, which are included in "Property and equipment, net" in the Consolidated Balance Sheets. At December 31, 2019, the Company has a remaining obligation of 109 million Euros (\$123 million) related to the building construction, which will be paid through mid-2022, when the Company anticipates construction will be complete.

In addition to the turnkey agreement, the Company has a remaining obligation at December 31, 2019 to pay 71 million Euros (\$80 million) over the remaining term of the acquired land lease. The Company will also make additional capital expenditures to fit out and furnish the office space.

Operating lease obligations (see Note 10)

Other Contractual Obligations and Commitments

In 2018, the Company entered into an agreement to sign a future lease related to approximately 222,000 square feet of office space in the city of Manchester in the United Kingdom for the future headquarters of Rentalcars.com. The Company's obligation to execute the lease is conditional upon the lessor completing certain activities, which are expected to be completed in 2021. If these activities are completed, the lease will commence for a term of approximately 13 years and the Company will have a lease obligation of approximately 65 million British Pounds Sterling (\$86 million), excluding lease incentives. The Company will also make capital expenditures to fit out and furnish the office space.

As of December 31, 2019, the Company had issued \$155 million of standby letters of credit or bank guarantees in addition to those issued under the revolving credit facility, primarily related to payment guarantees to third-party payment processors. See Note 12 for information related to letters of credit issued under the revolving credit facility.

17. BENEFIT PLANS

The Company maintains a defined contribution 401(k) savings plan (the "Plan") covering certain U.S. employees. In connection with acquisitions, effective at the date of such acquisitions, the Company assumed defined contribution plans covering the U.S. employees of the acquired companies. The Company also maintains certain other defined contribution plans outside of the United States for which it provides contributions for participating employees. The Company's matching contributions during the years ended December 31, 2019, 2018 and 2017 were \$26 million, \$22 million and \$15 million, respectively.

18. GEOGRAPHIC INFORMATION

The Company's international information consists of the information of Booking.com, agoda and Rentalcars.com in their entirety and the information of the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using the Company's services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com at a hotel in New York by a consumer in the United States is part of the Company's international results. The Company's geographic information is as follows (in millions):

	United States	International		Total Company
		The Netherlands	Other	
2019				
Total Revenues	\$ 1,537	\$ 11,686	\$ 1,843	\$ 15,066
Intangible assets, net	1,552	94	308	1,954
Goodwill	1,813	461	639	2,913
Other long-lived assets ⁽¹⁾	201	1,278	345	1,824
2018 ⁽²⁾				
Total Revenues	\$ 1,536 ⁽³⁾	\$ 11,348	\$ 1,643	\$ 14,527 ⁽³⁾
Intangible assets, net	1,665	112	348	2,125
Goodwill	1,807	461	642	2,910
Other long-lived assets	152	436	196	784
2017 ⁽²⁾				
Total Revenues	\$ 1,620 ⁽⁴⁾	\$ 9,735	\$ 1,326	\$ 12,681 ⁽⁴⁾
Intangible assets, net	1,790	44	343	2,177
Goodwill	1,807	342	589	2,738
Other long-lived assets	124	311	151	586

(1) Other long-lived assets at December 31, 2019 reflects operating lease assets of \$620 million recognized as a result of the adoption of the current lease standard on January 1, 2019 (see Notes 2 and 10) and the Company's payment of \$403 million in 2019 to French tax authorities in order to preserve its right to contest the assessments in court (see Note 16).

(2) Geographic information for 2018 and 2017 has been recast to conform to the current year presentation.

(3) Total revenues are reported on a net basis for Name Your Own Price® transactions under the current revenue recognition standard, which have been reduced for cost of revenues of \$170 million in the year ended December 31, 2018 (see Note 2).

(4) Total revenues were reported on a gross basis for Name Your Own Price® transactions under the previous revenue recognition standard, which were not reduced for cost of revenues of \$242 million in the year ended December 31, 2017 (see Note 2).

19. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In millions, except per share data)				
2019				
Total revenues	\$ 2,837	\$ 3,850	\$ 5,040	\$ 3,339
Net income	765	979	1,950	1,171
Net income applicable to common stockholders per basic common share	\$ 17.01	\$ 22.62	\$ 46.01	\$ 28.07
Net income applicable to common stockholders per diluted common share	\$ 16.85	\$ 22.44	\$ 45.54	\$ 27.75

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In millions, except per share data)				
2018				
Total revenues	\$ 2,928	\$ 3,537	\$ 4,849	\$ 3,213
Net income	607	977	1,768	646
Net income applicable to common stockholders per basic common share	\$ 12.56	\$ 20.34	\$ 37.39	\$ 14.00
Net income applicable to common stockholders per diluted common share	\$ 12.34	\$ 20.13	\$ 37.02	\$ 13.86

20. ACQUISITIONS

Acquisition activities in 2018

In April 2018, the Company paid \$139 million, net of cash acquired, and issued shares of the Company's common stock in the amount of \$110 million in connection with the acquisition of FareHarbor, a leading provider of business-to-business activities distribution services. In respect to the shares issued, as shown in the supplemental disclosure in the Consolidated Statement of Cash Flows, \$59 million relates to purchase price consideration and \$51 million relates to shares restricted for trading purposes until the required post-acquisition services are completed by certain employees.

In November 2018, the Company paid \$134 million, net of cash acquired, to complete the acquisition of HotelsCombined, a hotel meta-search company.

The Company's Consolidated Financial Statements include the accounts of these businesses starting at their respective acquisition dates. Revenues and earnings of these businesses since their respective acquisition dates and pro forma results of operations have not been presented separately as such financial information is not material to the Company's results of operations.

Acquisition activity in 2017

In July 2017, the Company completed the acquisition of the Momondo Group, which operates the travel meta-search websites Momondo and Cheapflights, for \$556 million, and which is managed as part of the Company's KAYAK business.

The aggregate purchase price was allocated to the assets acquired and liabilities assumed as follows (in millions):

Current assets ⁽¹⁾	\$	50
Identifiable intangible assets ⁽²⁾		333
Goodwill ⁽³⁾		288
Property and equipment		1
Total liabilities ⁽⁴⁾		(116)
Total consideration	\$	<u>556</u>

(1) Includes cash acquired of \$15 million.

(2) Acquired definite-lived intangible assets, consisted of distribution agreements of \$214 million with a weighted-average useful life of 15 years, trade names of \$104 million with a weighted-average useful life of 13 years and technology of \$15 million with a weighted-average life of 4 years.

(3) Goodwill is not tax deductible.

(4) Includes deferred tax liabilities of \$70 million and third-party senior debt of \$15 million.

The Company's Consolidated Financial Statements include the accounts of the Momondo Group beginning July 24, 2017. Revenues and earnings of this business since the acquisition date and pro forma results of operations have not been presented separately as such financial information is not material to the Company's results of operations. The Company incurred \$5 million of professional fees for the year ended December 31, 2017 related to this acquisition. The acquisition-related expenses were included in "General and administrative" expenses in the Company's Consolidated Statement of Operations.

Liability associated with the Earnout Arrangement for Business Acquisition

At December 31, 2018, the Company's Consolidated Balance Sheets included a liability of \$28 million for estimated contingent payments for a business acquired in 2015. The fair value of the liability, which is considered a "Level 3" fair value measurement (see Note 6), was based upon probability-weighted average payments for specific performance factors from the acquisition date through the end of the performance period on March 31, 2019. In 2019, the Company paid \$37 million to settle this liability.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Description of Common Stock

The following description of our Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Restated Certificate of Incorporation (the "Certificate of Incorporation") and our By-Laws (the "By-Laws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. We encourage you to read our Certificate of Incorporation, our By-Laws and the applicable provisions of the Delaware General Corporation Law for additional information.

Authorized Capital Stock

Our authorized shares of stock consist of 1,000,000,000 shares of common stock, each having a par value of eight-tenths of a penny (\$.008) ("Common Stock"), and 150,000,000 shares of preferred stock, each having a par value of one penny (\$.01) ("Preferred Stock"). Each outstanding share of Common Stock is fully paid and nonassessable. There are currently no shares of Preferred Stock outstanding.

Voting Rights

Each stockholder is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our Certificate of Incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

Dividend Rights

Subject to preferences that may apply to shares of Preferred Stock outstanding at the time, the holders of our Common Stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board of Directors may from time to time determine.

Liquidation Rights

Upon the occurrence of a liquidation, dissolution or winding-up, the holders of our Common Stock would be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities and the payment of the liquidation preference of any outstanding Preferred Stock.

Other Rights and Preferences

Our Common Stock is not entitled to preemptive rights and is not subject to conversion or redemption.

Listing

Our Common Stock is traded on The Nasdaq Global Select Market under the trading symbol "BKNG."

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Description of the 0.800% Senior Notes due March 2022

The following description of our 0.800% Senior Notes due March 2022 (the "notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of September 23, 2014, between us and Deutsche Bank Trust Company Americas, as trustee (the "indenture"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. The notes are traded on The Nasdaq Stock Market LLC under the bond trading symbol of "BKNG 22A." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

We encourage you to read the above referenced indenture for additional information. See "—Certain Definitions" below for the definitions of capitalized terms used herein.

General

The following is a description of certain of the specific terms and conditions of the notes.

The notes are our senior unsecured obligations, ranking:

- equal in right of payment with any other senior unsecured indebtedness of ours, including our currently outstanding senior notes and any borrowings under our revolving credit facility;
- senior in right of payment to any future indebtedness of ours that is contractually subordinated to the notes;
- structurally subordinated to the claims of our subsidiaries' creditors, including trade creditors; and
- effectively subordinated to any secured indebtedness of ours to the extent of the value of the collateral securing such indebtedness.

The notes were issued in registered form without interest coupons, in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

The maturity date of the notes is March 10, 2022.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. Our subsidiaries do not guarantee any of our obligations under the notes. Our operations are conducted through our subsidiaries and, therefore, we depend on the cash flow of our subsidiaries to meet our obligations, including our obligations under the notes. The notes are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries. Any right we have to receive assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) are effectively subordinated to the claims of that subsidiary's creditors, except to the extent that we are recognized as a creditor of the subsidiary.

The initial aggregate principal amount of the notes was €1,000,000,000. We may, without the consent of the holders, issue additional notes under the indenture in the future with the same terms (except for the issue date, price to public and, if applicable, the initial interest payment date) and with the same CUSIP number as the notes in an unlimited aggregate principal amount; provided that if any such additional notes are not fungible with the notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number. We may also from time to time repurchase the notes in tender offers, open market purchases or negotiated transactions without prior notice to holders.

Payments on the Notes

All payments of interest and principal, including payments made upon any redemption of the notes, are made in euro; *provided* that if euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if euro is no longer being used by the then member states of the European Monetary Union that have adopted euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes are to be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro is to be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, if the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recently available market exchange rate for euro, as determined in our sole discretion. Any payment in respect of the notes so made in U.S. dollars does not constitute an Event of Default under the notes or the indenture governing the notes.

We pay the principal of and interest on notes in global form registered in the name of or held by Euroclear or Clearstream or their respective nominees in immediately available funds to Euroclear or Clearstream or their respective nominees, as the case may be, as the registered holder of such global notes.

Interest

The notes bear interest from March 10, 2017 at an annual rate of 0.800% payable on March 10 of each year, beginning on March 10, 2018. Interest is paid to the person in whose name a note is registered at the close of business on the February 23 immediately preceding the relevant interest payment date. Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or March 10, 2017 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as Actual/Actual (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date, the maturity date or any earlier required repurchase date upon a designated event falls on a day that is not a business day, the required payment is to be made on the next succeeding business day and no interest on such payment accrues in respect of the delay. The term "business day" means any day, other than a Saturday or Sunday, (1) that is not a day on which banking institutions in the

City of New York or London are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

All references to interest in this exhibit include additional interest, if any, payable as described under "--Events of Default" and at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "--Events of Default".

Optional Redemption

On and after February 10, 2022, the date that is one month prior to the scheduled maturity date (the "Par Call Date"), we may redeem the notes in whole or in part, at our option at any time or from time to time, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the date of redemption.

Prior to the Par Call Date, we may redeem the notes in whole or in part (equal to €100,000 and integral multiples of €1,000 in excess thereof), at our option at any time or from time to time (a "Redemption Date"), at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the notes to be redeemed; and
- (2) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of such notes calculated as if the maturity date of such notes was the Par Call Date, not including any portion of the payments of interest accrued to the Redemption Date, discounted to such Redemption Date on an annual basis at the Comparable Government Bond Rate, plus 25 basis points plus, in the case of each of (1) and (2), accrued and unpaid interest on the notes, if any, to, but excluding, such Redemption Date.

If less than all of the notes are to be redeemed, in the case of certificated notes and global notes, the trustee will select notes for redemption in accordance with the procedures of the depository. The trustee, in the case of certificated notes and global notes, shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Notice of any redemption is to be mailed at least 30 days but not more than 60 days before the Redemption Date. We are not responsible for giving notice to anyone other than the depository. Unless we default in payment of the redemption price, on or after the Redemption Date, interest ceases to accrue on the notes called for redemption.

The notes are also subject to redemption prior to maturity if certain events occur involving U.S. taxation. If any of these special tax events occurs, the notes will be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to, but not including, the date fixed for redemption. See "—Redemption for Tax Reasons." Before the redemption date, we will deposit with the paying agent money sufficient to pay the redemption price of and accrued and unpaid interest to, but not including, the redemption date on the notes to be redeemed on such date.

Payment of Additional Amounts

All payments of principal and interest on the notes by us are made free and clear of and without withholding or deduction for or on account of any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless the withholding or deduction of such taxes, assessment or other government charge is required by law or the official interpretation or administration thereof. Subject to the exceptions and limitations set forth below, we pay as additional interest on the notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), is not less than the amount provided in the notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

- (1) to the extent any tax, assessment or other governmental charge is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
 - a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
 - b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;
 - c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States income tax purposes or a corporation that has accumulated earnings to avoid U.S. federal income tax;
 - d. being or having been a "10-percent shareholder" of ours as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or
 - e. being or having been a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;
- (3) to the extent any tax, assessment or other governmental charge would not have been imposed but for the failure of the holder or any

other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding or deduction by us or a paying agent from the payment;
- (5) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of notes;
- (6) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (7) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or
- (8) in the case of any combination of items (1), (2), (3), (4), (5), (6), and (7).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading "—Payment of Additional Amounts," we are not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading "—Payment of Additional Amounts" and under the heading "—Redemption for Tax Reasons," the term "United States" means the United States of America, the states of the United States, and the District of Columbia, and the term "United States person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, or any estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the Issue Date (as defined herein), we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading "—Payment of Additional Amounts" with respect to the notes, then we may at any time at our option redeem, in whole, but not in part, the notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those notes to, but not including, the date fixed for redemption.

No Sinking Fund

The notes are not entitled to the benefit of any sinking fund.

Certain Covenants

The indenture contains covenants including, among others, the following:

Limitation on Liens

We may not, and may not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing Indebtedness (the "Initial Lien") on any of our properties or assets whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes (together with, at our option, any other Indebtedness of ours or any of our Subsidiaries ranking equally in right of payment with the notes) are secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Notwithstanding the foregoing, we and our Restricted Subsidiaries may create, assume, incur or guarantee Indebtedness secured by a Lien without equally and ratably securing the notes; provided that at the time of such creation, assumption, incurrence or guarantee, after giving effect thereto and to the retirement of any Indebtedness that is being retired substantially concurrently with any such creation, assumption, incurrence or guarantee, the sum of (a) the aggregate amount of all of our and our Restricted Subsidiaries' outstanding Indebtedness secured by Liens other than Permitted Liens and (b) the Attributable Debt associated with all of our and our Restricted Subsidiaries' Sale/Leaseback Transactions permitted by the last paragraph under "—Limitation on Sale/Leaseback Transactions" below, does not at such time exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of incurrence of the Lien and (ii) \$2.0 billion.

Any such Lien thereby created in favor of the notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of each Initial Lien to which it relates, or (ii) any sale, exchange or transfer to any Person who is not our affiliate of the property or assets secured by such Initial Lien.

Limitation on Sale/Leaseback Transactions

We may not, and may not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

- (1) we or such Restricted Subsidiary would be entitled to create a Lien on such property securing the Attributable Debt associated with such Sale/Leaseback Transaction without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens";

- (2) the net proceeds of the sale of the property to be leased are at least equal to such property's fair market value, as determined by our board of directors, and the proceeds are applied within 365 days of the effective date of the Sale/Leaseback Transaction to the purchase, construction, development or acquisition of assets or to the repayment of any of our Indebtedness that ranks equally with the notes or any Indebtedness of one or more Restricted Subsidiaries; provided that the amount required to be applied to the repayment of any such Indebtedness pursuant to this clause (2) shall be reduced by the principal amount of any notes delivered within 365 days after such sale to the trustee for retirement and cancellation;
- (3) such transaction was entered into prior to the Issue Date;
- (4) such transaction involves a lease for not more than three years (or which may be terminated by us or a Restricted Subsidiary within a period of not more than three years);
- (5) such transaction was for the sale and lease between only us and a Subsidiary of ours or only between our Subsidiaries; or
- (6) such transaction involves a sale and lease of property executed by the time of, or within 18 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the property.

Notwithstanding the restrictions outlined in the preceding paragraph, we and our Restricted Subsidiaries are permitted to enter into Sale/Leaseback Transactions, without complying with the requirements of the preceding paragraph, if, after giving effect thereto, the aggregate amount of all Attributable Debt associated with Sale/Leaseback Transactions not otherwise permitted by the preceding paragraph that is outstanding at such time, together with the aggregate amount of all outstanding Indebtedness secured by Liens permitted under the second paragraph under "—Limitation on Liens" above, does not exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of the Sale/Leaseback Transaction and (ii) \$2.0 billion.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to, another person, unless (i) the resulting, surviving or transferee person, if not us, is a person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; (ii) immediately after giving effect to such transaction, no default has occurred and is continuing under the indenture; and (iii) the resulting, surviving or transferee person, if not us, expressly assumes by supplemental indenture all of our obligations under the notes and the indenture. Upon any such consolidation, merger or transfer, the resulting, surviving or transferee person shall succeed to, and may exercise every right and power of, us under the indenture.

Events of Default

An "Event of Default" is defined in the indenture as:

- (1) default in any payment of interest on any note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon acceleration or otherwise;
- (3) failure by us to comply with our obligations under "—Consolidation, Merger and Sale of Assets";
- (4) failure by us for 60 days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has been received to comply with any of our other covenants or agreements contained in the notes or indenture;
- (5) default by us or any majority owned subsidiary in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced any debt for money borrowed in excess of \$75 million in the aggregate of ours and/or any subsidiary, whether such debt now exists or shall hereafter be created, which default results in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by us or such subsidiary; or
- (6) certain events of bankruptcy, insolvency or reorganization (the "bankruptcy provisions") of us or any of our significant subsidiaries as defined in Rule 1-02 of Regulation S-X promulgated by the SEC as in effect on the date of the indenture.

If an Event of Default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by written notice to us and the trustee, may, and the trustee at the written request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest is due and payable immediately. Upon an Event of Default arising out of the bankruptcy provisions, however, the aggregate principal amount and accrued and unpaid interest is due and payable immediately.

The holders of a majority in principal amount of the outstanding notes may waive an existing default (except with respect to nonpayment of principal or interest or certain other matters), and may rescind any acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee, if an Event of Default occurs and is continuing, the trustee is under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee in writing to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity satisfactory to it against any loss, liability or expense;
- (4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee is entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The indenture provides that in the event an Event of Default has occurred and is continuing, the trustee is required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs.

The indenture provides that if a default occurs and is continuing and is actually known to a responsible officer of the trustee, the trustee must send to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal of or interest on any note, the trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders. In addition, we are required to deliver to the trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any default that occurred during the previous year.

Modification and Amendment

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes of all series under the indenture then outstanding and affected by such amendment, voting as a single class (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

However, without the consent of each holder of an outstanding note affected, no amendment may, among other things:

- (1) make any change to the percentage of principal amount of the notes the holders of which must consent to an amendment;
- (2) reduce the principal amount of, premium, or interest on, or extend the stated maturity or interest payment periods, of the notes;
- (3) make any note payable in money or securities other than as stated in the note;
- (4) impair the right to institute suit for the enforcement of any payment with respect to the notes; or
- (5) waive a default in payment of principal of, premium, if any, or interest on the notes or modify any provisions of the indenture relating to modification or amendment thereof.

Without the consent of any holder, we and the trustee may amend the indenture to, among other things:

- (1) to evidence the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of the covenants, agreements and obligations in the indenture and in the notes;
- (2) to surrender any right or power conferred upon us by the indenture, to add to our covenants such further covenants, restrictions, conditions or provisions for the protection of the holders of the notes as our board of directors considers to be for the protection of the holders of such debt securities, and to make the occurrence, or the occurrence and continuance, of a default in respect of any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default under the indenture (provided, however, that with respect to any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the trustee upon such default or may limit the right of holders of a majority in aggregate principal amount of the notes to waive such default);
- (3) to cure any ambiguity or correct or supplement any provision contained in the indenture, in any supplemental indenture or in any note that may be defective or inconsistent with any other provision contained therein;
- (4) to convey, transfer, assign, mortgage or pledge any property to or with the trustee, or to make such other provisions in regard to matters or questions arising under the indenture as will not adversely affect in any material respect the interests of any holders of the notes;
- (5) to modify or amend the indenture in such a manner as to permit the qualification of the indenture or any supplemental indenture under the Trust Indenture Act as then in effect;
- (6) to add guarantees with respect to the notes or to secure the notes;
- (7) to add to, change, or eliminate any of the provisions of the indenture with respect to the notes, so long as any such addition, change or elimination not otherwise permitted under the indenture will (a) neither apply to any note created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor modify the rights of the holders of any such note with respect to such provision or (b) become effective only when there is no such note outstanding;
- (8) to evidence and provide for the acceptance of appointment by a successor or separate trustee with respect to the notes and to add to or change any of the provisions of the indenture as is necessary to provide for or facilitate the administration of the indenture by more than one trustee; or
- (9) to make any change that does not adversely affect the rights of any holder in any material respect.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, does not impair or affect the validity of the amendment.

Satisfaction and Discharge of the Indenture

The indenture will generally cease to be of any further effect with respect to the notes if (a) we have delivered to the trustee for cancellation all notes (with certain limited exceptions) or (b) all notes not theretofore delivered to the trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such notes (and if, in either case, we will also pay or cause to be paid all other sums payable under the indenture by us).

Defeasance

We may terminate at any time all our obligations with respect to the notes and the indenture, which we refer to as "legal defeasance," except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. We may also terminate at any time our obligations with respect to the notes under the covenants described under "—Certain Covenants" and "—Consolidation, Merger and Sale of Assets", and the operation of certain Events of Default, which we refer to as "covenant defeasance." We may exercise the legal defeasance option notwithstanding our prior exercise of the covenant defeasance option.

If we exercise our legal defeasance option with respect to the notes, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If we exercise the covenant defeasance option with respect to the notes, payment of the notes may not be accelerated pursuant to clause (3), clause (4), or clause (5) under the definition of Event of Default.

The legal defeasance option or the covenant defeasance option with respect to the notes may be exercised only if:

- (1) we irrevocably deposit in trust with the trustee cash or U.S. Government obligations or a combination thereof for the payment of principal of and interest on the outstanding notes to maturity or the applicable redemption date;
- (2) such legal defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) binding on us;
- (3) no default or Event of Default has occurred and is continuing either (a) on the date of such deposit (other than a default or Event of Default resulting from the borrowing of funds to be applied to such deposit), (b) insofar as defaults arising out of the bankruptcy provisions are concerned, at any time during the period ending on the 91st day after the date of deposit or (c) at any time during the period ending on the 123rd day after the date of deposit (other than a default or Event of Default resulting from the borrowing of funds to be applied to such deposit);
- (4) in the case of the legal defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee stating that: a) we have received from the U.S. Internal Revenue Service ("IRS") a letter ruling, or there has been published by the IRS a Revenue Ruling, or b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (5) in the case of the covenant defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (6) we deliver to the trustee an opinion of counsel to the effect that on the 123rd day after the date of deposit, the trust funds deposited will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;
- (7) we deliver to the trustee an officers' certificate stating that the deposit was not made with the intent of preferring the holders of the notes over any other of our creditors or with the intent of defeating, hindering, delaying or defrauding any other of our creditors; and
- (8) we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the legal defeasance or covenant defeasance have been complied with as required by the indenture.

If we defease our obligations under the indenture, we will be released from our obligations in the provisions described under "—Certain Covenants."

Global Notes, Book-Entry Form

The notes are represented by one or more fully registered global notes. Each such global note is deposited with, or on behalf of, a common depository, and registered in the name of the nominee of the common depository for the accounts of Clearstream Banking, société anonyme or its successor ("Clearstream") and Euroclear Bank, S.A./N.V. or its successor ("Euroclear"). The global notes may generally be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. An investor may hold its interests in the global notes in Europe through Clearstream or Euroclear, either as a participant in such systems or indirectly through organizations that are participants in such systems. Clearstream and Euroclear hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositories. Book-entry interests in the notes and all transfers relating to the notes are reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes are cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes takes place through Clearstream and Euroclear participants and settles in same-day funds. Owners of book-entry interests in the notes receive payments relating to their notes in euro, except as described in this exhibit under "—Payments on the Notes."

Information Concerning the Trustee

We have appointed Deutsche Bank Trust Company Americas as the trustee under the indenture and as paying agent, registrar and transfer agent. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

Governing Law

The notes and the indenture are governed by, and construed in accordance with, the laws of the state of New York, without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Certain Definitions

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as of the time of determination, the present value (discounted at the implicit interest factor determined in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items that do not constitute payments for property rights. In the case of any lease which is terminable by the lessee upon payment of a penalty, the Attributable Debt is the lesser of:

- (1) the Attributable Debt determined assuming termination upon the first date such lease may be terminated (in which case the Attributable Debt shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated); and
- (2) the Attributable Debt determined assuming no such termination.

"*Capital Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the Par Call Date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Consolidated Net Tangible Assets*" means, as of the time of determination, the aggregate amount of our assets and the assets of our Subsidiaries, determined on a consolidated basis, after deducting (1) all goodwill, trade names, trademarks, service marks, patents, unamortized debt discount and expense and other intangible assets and (2) all current liabilities, in each case as reflected on the most recent consolidated balance sheet prepared by us in accordance with GAAP contained in an annual report on Form 10-K or a quarterly report on Form 10-Q filed or any amendment thereto pursuant to the Exchange Act by us prior to the time as of which "Consolidated Net Tangible Assets" is being determined or, if we are not required to so file, as reflected on our most recent consolidated balance sheet prepared by us in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in:

- (1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;
- (2) statements and pronouncements of the Financial Accounting Standards Board;
- (3) such other statements by such other entity as approved by a significant segment of the accounting profession; and
- (4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"*Hedging Obligations*" means:

- (1) interest rate swap agreements and other agreements designed to hedge or reduce the risk of interest rate fluctuations; and
- (2) agreements or arrangements designed to hedge or reduce the risk of fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any Person on any date of determination: the principal in respect of (A) indebtedness of such Person for money borrowed, including, without limitation, indebtedness for money borrowed evidenced by notes, debentures, bonds or other similar instruments and (B) all guarantees in respect of such indebtedness of another Person (it being understood, however, that indebtedness for money borrowed shall in no event include any amounts payable or other liabilities to trade creditors (including undrawn letters of credit) arising in the ordinary course of business). For the avoidance of doubt, Hedging Obligations are not Indebtedness.

"*Issue Date*" means March 10, 2017, the date on which the notes were originally issued.

"*Lien*" means any mortgage or deed of trust, charge, pledge, lien, privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other similar encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement); provided, however, that in no event shall an operating lease be deemed to constitute a Lien.

"*Permitted Liens*" means, with respect to any Person:

- (1) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; provided, however, that the Lien may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Lien is incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be incurred more than 18 months after the later of the

acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

- (2) Liens existing on the Issue Date;
- (3) Liens on assets (including shares of Capital Stock) of another Person at the time such other Person becomes a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person becomes such a Subsidiary); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (4) Liens on assets at the time such Person or any of its Subsidiaries acquires the assets, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person or any of its Subsidiaries acquired such assets); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary of such Person owing to such Person or to another Restricted Subsidiary of such Person;
- (6) Liens on securities deemed to exist under repurchase agreements and reverse repurchase agreements entered into by us or any Restricted Subsidiary in the ordinary course of business;
- (7) Liens incurred to secure cash management services in the ordinary course of business or on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;
- (8) Liens created to secure the notes and Liens in favor of the trustee granted in accordance with the indenture;
- (9) Liens to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, including Liens or trade letters of credit in favor of any governmental entity, including the United States or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of any such entity, to secure partial, progress, advance or other payments pursuant to any contract or statute;
- (10) Liens on the Capital Stock of a Subsidiary that is not a Restricted Subsidiary;
- (11) purported Liens evidenced by the filing of precautionary UCC financing statements; and
- (12) any extensions, renewals or replacements of any Lien referred to in clauses (1) through (11) without increase of the principal of the Indebtedness secured by such Lien (except to the extent of any fees, premiums or other costs associated with any such extension, renewal or replacement); provided, however, that any Liens permitted by any of clauses (1) through (11) do not extend to or cover any of our properties or any of our Restricted Subsidiaries, as the case may be, other than the property specified in such clauses and improvements to such property.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Restricted Subsidiary" means any Subsidiary other than:

- (1) any Subsidiary primarily engaged in financing receivables or in the finance business; or
- (2) any Subsidiary that is not a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X.

"Sale/Leaseback Transaction" means an arrangement relating to property owned by us or a Restricted Subsidiary on the Issue Date or thereafter acquired by us or a Restricted Subsidiary whereby we or a Restricted Subsidiary transfers such property to a Person and we or a Subsidiary leases it from such Person.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

- (1) such Person;
- (2) such Person and one or more Subsidiaries of such Person; or
- (3) one or more Subsidiaries of such Person.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Description of 2.150% Senior Notes due November 2022

The following description of our 2.150% Senior Notes due November 2022 (the "notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of September 23, 2014, between us and Deutsche Bank Trust Company Americas, as trustee (the "indenture"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. The notes are traded on The Nasdaq Stock Market LLC under the bond trading symbol of "BKNG 22." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

We encourage you to read the above referenced indenture for additional information. See "—Certain Definitions" below for the definitions of capitalized terms used herein.

General

The following is a description of certain of the specific terms and conditions of the notes.

The notes are our general unsecured senior obligations, ranking:

- equal in right of payment with any other senior unsecured indebtedness of ours, including our currently outstanding senior notes and any borrowings under our revolving credit facility;
- senior in right of payment to any future indebtedness of ours that is contractually subordinated to the notes;
- structurally subordinated to the claims of our subsidiaries' creditors, including trade creditors; and
- effectively subordinated to any secured indebtedness of ours to the extent of the value of the collateral securing such indebtedness.

The notes were issued in registered form without interest coupons, in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

The maturity date of the notes is November 25, 2022.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. Our subsidiaries do not guarantee any of our obligations under the notes. Our operations are conducted through our subsidiaries and, therefore, we depend on the cash flow of our subsidiaries to meet our obligations, including our obligations under the notes. The notes are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries. Any right we have to receive assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) are effectively subordinated to the claims of that subsidiary's creditors, except to the extent that we are recognized as a creditor of the subsidiary.

The initial aggregate principal amount of the notes was €750,000,000. We may, without the consent of the holders, issue additional notes under the indenture in the future with the same terms and with the same CUSIP number as the notes in an unlimited aggregate principal amount; provided that if any such additional notes are not fungible with the notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number. We may also from time to time repurchase the notes in tender offers, open market purchases or negotiated transactions without prior notice to holders.

Payments on the Notes

All payments of interest and principal, including payments made upon any redemption of the notes, are made in euro; *provided* that if euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if euro is no longer being used by the then member states of the European Monetary Union that have adopted euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes are to be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro is to be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, if the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recently available market exchange rate for euro, as determined in our sole discretion. Any payment in respect of the notes so made in U.S. dollars does not constitute an Event of Default under the notes or the indenture governing the notes.

We pay the principal of and interest on notes in global form registered in the name of or held by Euroclear or Clearstream or their respective nominees in immediately available funds to Euroclear or Clearstream or their respective nominees, as the case may be, as the registered holder of such global notes.

Interest

The notes bear interest from November 25, 2015 at an annual rate of 2.15% payable on November 25 of each year, beginning on November 25, 2016.

Interest is paid to the person in whose name a note is registered at the close of business on the November 10 immediately preceding the relevant interest payment date. Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or November 25, 2015 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as Actual/Actual (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date, the maturity date or any earlier required repurchase date upon a designated event falls on a day that is not a business day, the required payment is to be made on the next succeeding business day and no interest on such payment accrues in respect of the delay. The term "business day" means any day, other than a Saturday or Sunday, (1) that is not a day on which banking institutions in the City of New York or London are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

All references to interest in this exhibit include additional interest, if any, payable as described under "--Events of Default" and at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "--Events of Default".

Optional Redemption

The notes will be redeemable in whole or in part by us on or after August 25, 2022, the date that is three months prior to the maturity date of the notes (the "Par Call Date"), at 100% of the principal amount (par) of the notes, plus accrued and unpaid interest thereon to but excluding the date of redemption. These notes are also redeemable prior to the Par Call Date, at our option, in whole or in part (equal to €100,000 and integral multiples of €1,000 in excess thereof), at any time (a "Redemption Date"), at a redemption price equal to the greater of:

- 100% of the aggregate principal amount of the notes to be redeemed; and
- an amount equal to the sum of the present values of the remaining scheduled payments for principal and interest on the notes to be redeemed that would be due if such notes matured on the Par Call Date, not including any portion of the payments of interest accrued as of such Redemption Date, discounted to such Redemption Date on an annual basis at the Comparable Government Bond Rate, plus 35 basis points;

plus, in each of the above cases, accrued and unpaid interest on the notes, if any, to, but excluding, such Redemption Date.

If less than all of the notes are to be redeemed, in the case of certificated notes, the trustee will select notes for redemption pro rata or by such other method it deems appropriate and fair. In the case of global notes, the depository in coordination with the paying agent may select global notes for redemption pursuant to its applicable procedures. The trustee, in the case of certificated notes shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof. The depository, in connection with the paying agent, in the case of global notes, shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Notice of any redemption is to be mailed at least 30 days but not more than 60 days before the Redemption Date. We are not responsible for giving notice to anyone other than the depository. Unless we default in payment of the redemption price, on or after the Redemption Date, interest ceases to accrue on the notes called for redemption.

The notes are also subject to redemption prior to maturity if certain events occur involving U.S. taxation. If any of these special tax events occurs, the notes will be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to, but not including, the date fixed for redemption. See "—Redemption for Tax Reasons." Before the redemption date, we will deposit with the paying agent money sufficient to pay the redemption price of and accrued and unpaid interest to, but not including, the redemption date on the notes to be redeemed on such date.

Payment of Additional Amounts

All payments of principal and interest on the notes by us are made free and clear of and without withholding or deduction for or on account of any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless the withholding or deduction of such taxes, assessment or other government charge is required by law or the official interpretation or administration thereof. Subject to the exceptions and limitations set forth below, we pay as additional interest on the notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), is not less than the amount provided in the notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

- (1) to the extent any tax, assessment or other governmental charge is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
 - a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
 - b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;
 - c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States income tax purposes or a corporation that has accumulated earnings to avoid U.S. federal income tax;
 - d. being or having been a "10-percent shareholder" of ours as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or
 - e. being or having been a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the

fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

- (3) to the extent any tax, assessment or other governmental charge would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;
- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding or deduction by us or a paying agent from the payment;
- (5) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of notes;
- (6) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (7) to any tax, assessment or other governmental charge required to be withheld or deducted by any paying agent from any payment of principal or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of notes, if such payment could have been made without such withholding or deduction by presenting the relevant note to at least one other paying agent in a member state of the European Union;
- (8) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (9) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or
- (10) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), and (9).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading "—Payment of Additional Amounts," we are not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading "—Payment of Additional Amounts" and under the heading "—Redemption for Tax Reasons," the term "United States" means the United States of America, the states of the United States, and the District of Columbia, and the term "United States person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, or any estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the Issue Date (as defined herein), we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading "—Payment of Additional Amounts" with respect to the notes, then we may at any time at our option redeem, in whole, but not in part, the notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those notes to, but not including, the date fixed for redemption.

No Sinking Fund

The notes are not entitled to the benefit of any sinking fund.

Certain Covenants

The indenture contains covenants including, among others, the following:

Limitation on Liens

We may not, and may not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing Indebtedness (the "Initial Lien") on any of our properties or assets whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes (together with, at our option, any other Indebtedness of ours or any of our Subsidiaries ranking equally in right of payment with the notes) are secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Notwithstanding the foregoing, we and our Restricted Subsidiaries may create, assume, incur or guarantee Indebtedness secured by a Lien without equally and ratably securing the notes; provided that at the time of such creation, assumption, incurrence or guarantee, after giving effect thereto and to the retirement of any Indebtedness that is being retired substantially concurrently with any such creation, assumption, incurrence or guarantee, the sum of (a) the aggregate amount of all our and our Restricted Subsidiaries' outstanding Indebtedness secured by

Liens other than Permitted Liens and (b) the Attributable Debt associated with all of our and our Restricted Subsidiaries' Sale/Leaseback Transactions permitted by the last paragraph under "—Limitation on Sale/Leaseback Transactions" below, does not at such time exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of incurrence of the Lien and (ii) \$1.4 billion.

Any such Lien thereby created in favor of the notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of each Initial Lien to which it relates, or (ii) any sale, exchange or transfer to any Person not our affiliate of the property or assets secured by such Initial Lien.

Limitation on Sale/Leaseback Transactions

We may not, and may not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

- (1) we or such Restricted Subsidiary would be entitled to create a Lien on such property securing the Attributable Debt associated with such Sale/Leaseback Transaction without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens";
- (2) the net proceeds of the sale of the property to be leased are at least equal to such property's fair market value, as determined by our board of directors, and the proceeds are applied within 365 days of the effective date of the Sale/Leaseback Transaction to the purchase, construction, development or acquisition of assets or to the repayment of any of our Indebtedness that ranks equally with the notes or any Indebtedness of one or more Restricted Subsidiaries; provided that the amount required to be applied to the repayment of any such Indebtedness pursuant to this clause (2) shall be reduced by the principal amount of any notes delivered within 365 days after such sale to the trustee for retirement and cancellation;
- (3) such transaction was entered into prior to the Issue Date;
- (4) such transaction involves a lease for not more than three years (or which may be terminated by us or a Restricted Subsidiary within a period of not more than three years);
- (5) such transaction was for the sale and lease between only us and a Subsidiary of ours or only between our Subsidiaries; or
- (6) such transaction involves a sale and lease of property executed by the time of, or within 18 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the property.

Notwithstanding the restrictions outlined in the preceding paragraphs, we and our Restricted Subsidiaries are permitted to enter into Sale/Leaseback Transactions, without complying with the requirements of the preceding paragraph, if, after giving effect thereto, the aggregate amount of all Attributable Debt associated with Sale/Leaseback Transactions not otherwise permitted by the preceding paragraph that is outstanding at such time, together with the aggregate amount of all outstanding Indebtedness secured by Liens permitted under the second paragraph under "—Limitation on Liens" above, does not exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of the Sale/Leaseback Transaction and (ii) \$1.4 billion.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to, another person, unless (i) the resulting, surviving or transferee person, if not us, is a person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; and (ii) immediately after giving effect to such transaction, no default has occurred and is continuing under the indenture; and (iii) the resulting, surviving or transferee person, if not us, expressly assumes by supplemental indenture all of our obligations under the notes and the indenture. Upon any such consolidation, merger or transfer, the resulting, surviving or transferee person shall succeed to, and may exercise every right and power of, us under the indenture.

Events of Default

An "Event of Default" is defined in the indenture as:

- (1) default in any payment of interest on any note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon acceleration or otherwise;
- (3) failure by us to comply with our obligations under "—Consolidation, Merger and Sale of Assets";
- (4) failure by us for 60 days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has been received to comply with any of our other covenants or agreements contained in the notes or indenture;
- (5) default by us or any majority owned subsidiary in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced any debt for money borrowed in excess of \$75 million in the aggregate of ours and/or any subsidiary, whether such debt now exists or shall hereafter be created, which default results in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by us or such subsidiary; or
- (6) certain events of bankruptcy, insolvency, or reorganization (the "bankruptcy provisions") of us or any of our significant subsidiaries as defined in Rule 1-02 of Regulation S-X promulgated by the SEC as in effect on the original date of issuance of the notes.

If an Event of Default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by written notice to us and the trustee, may, and the trustee at the written request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest is due and payable immediately. Upon an Event of Default arising out of the bankruptcy provisions, however, the aggregate principal amount and accrued and unpaid interest is due and payable immediately.

The holders of a majority in principal amount of the outstanding notes may waive an existing default (except with respect to nonpayment of principal or interest or certain other matters) and may rescind any acceleration with respect to the notes and its consequences if (1) rescission

would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee, if an Event of Default occurs and is continuing, the trustee is under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee in writing to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity satisfactory to it against any loss, liability or expense;
- (4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The indenture provides that in the event an Event of Default has occurred and is continuing, the trustee is required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee is entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The indenture provides that if a default occurs and is continuing and is actually known to a responsible officer of the trustee, the trustee must send to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal of or interest on any note, the trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders. In addition, we are required to deliver to the trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any default that occurred during the previous year.

Modification and Amendment

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes of all series under the indenture then outstanding and affected by such amendment, voting as a single class (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

However, without the consent of each holder of an outstanding note affected, no amendment may, among other things:

- (1) make any change to the percentage of principal amount of the notes the holders of which must consent to an amendment;
- (2) reduce the principal amount of, premium, or interest on, or extend the stated maturity or interest payment periods, of the notes;
- (3) make any note payable in money or securities other than as stated in the note;
- (4) impair the right to institute suit for the enforcement of any payment with respect to the notes; or
- (5) waive a default in payment of principal of, premium, if any, or interest on the notes or modify any provisions of the indenture relating to modification or amendment thereof.

Without the consent of any holder, we and the trustee may amend the indenture:

- (1) to evidence the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of the covenants, agreements and obligations in the indenture and in the notes;
- (2) to surrender any right or power conferred upon us by the indenture, to add to our covenants such further covenants, restrictions, conditions or provisions for the protection of the holders of the notes as our board of directors considers to be for the protection of the holders of such debt securities, and to make the occurrence, or the occurrence and continuance, of a default in respect of any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default under the indenture (provided, however, that with respect to any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the trustee upon such default or may limit the right of holders of a majority in aggregate principal amount of the notes to waive such default);
- (3) to cure any ambiguity or correct or supplement any provision contained in the indenture, in any supplemental indenture or in any note that may be defective or inconsistent with any other provision contained therein;
- (4) to convey, transfer, assign, mortgage or pledge any property to or with the trustee, or to make such other provisions in regard to matters or questions arising under the indenture as will not adversely affect in any material respect the interests of any holders of the notes;
- (5) to modify or amend the indenture in such a manner as to permit the qualification of the indenture or any supplemental indenture under the Trust Indenture Act as then in effect;
- (6) to add guarantees with respect to the notes or to secure the notes;
- (7) to add to, change, or eliminate any of the provisions of the indenture with respect to the notes, so long as any such addition, change or

elimination not otherwise permitted under the indenture will (a) neither apply to any note created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor modify the rights of the holders of any such note with respect to such provision or (b) become effective only when there is no such note outstanding;

- (8) to evidence and provide for the acceptance of appointment by a successor or separate trustee with respect to the notes and to add to or change any of the provisions of the indenture as is necessary to provide for or facilitate the administration of the indenture by more than one trustee; or
- (9) to make any change that does not adversely affect the rights of any holder in any material respect.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, does not impair or affect the validity of the amendment.

Satisfaction and Discharge of the Indenture

The indenture will generally cease to be of any further effect with respect to the notes if (a) we have delivered to the trustee for cancellation all notes (with certain limited exceptions) or (b) all notes not theretofore delivered to the trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such notes (and if, in either case, we will also pay or cause to be paid all other sums payable under the indenture by us).

Defeasance

We may terminate at any time all our obligations with respect to the notes and the indenture, which we refer to as "legal defeasance," except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. We may also terminate at any time our obligations with respect to the notes under the covenants described under "—Certain Covenants" and "—Consolidation, Merger and Sale of Assets", and the operation of certain Events of Default, which we refer to as "covenant defeasance." We may exercise the legal defeasance option notwithstanding our prior exercise of the covenant defeasance option.

If we exercise our legal defeasance option with respect to the notes, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If we exercise the covenant defeasance option with respect to the notes, payment of the notes may not be accelerated pursuant to clause (3), clause (4), or clause (5) under the definition of Event of Default.

The legal defeasance option or the covenant defeasance option with respect to the notes may be exercised only if:

- (1) we irrevocably deposit in trust with the trustee cash or U.S. Government obligations or a combination thereof for the payment of principal of and interest on the notes to maturity;
- (2) such legal defeasance or covenant defeasance does not constitute a default under the indenture or any other material agreement or instrument binding us;
- (3) no default or Event of Default has occurred and is continuing on the date of such deposit and, with respect to defeasance only, at any time during the period ending on the 123rd day after the date of such deposit (other than, if applicable, a default or Event of Default with respect to the notes resulting from the borrowing of funds to be applied to such deposits);
- (4) in the case of the legal defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee stating that: a) we have received from the U.S. Internal Revenue Service ("IRS") a letter ruling, or there has been published by the IRS a Revenue Ruling, or b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (5) in the case of the covenant defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (6) we deliver to the trustee an opinion of counsel to the effect that, after the 123rd day after the date of deposit, all money and U.S. Government obligations (or other property as may be provided pursuant to the terms of the indenture) (including the proceeds thereof) deposited or caused to be deposited with the trustee to be held in trust will not be subject to any case or proceeding (whether voluntary or involuntary) in respect of us under any U.S. Federal or state bankruptcy, insolvency, reorganization or other similar law, or any decree or order for relief in respect of us issued in connection therewith; and
- (7) we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the legal defeasance and discharge of the notes have been complied with as required by the indenture.

If we defease our obligations under the indenture, we will be released from our obligations in the provisions described under "—Certain Covenants."

Global Notes, Book-Entry Form

The notes are represented by one or more fully registered global notes. Each such global note is deposited with, or on behalf of, a common depository, and registered in the name of the nominee of the common depository for the accounts of Clearstream Banking, société anonyme or its successor ("Clearstream") and Euroclear Bank, S.A./N.V. or its successor ("Euroclear"). The global notes may generally be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. An investor may hold its interests in the global notes in

Europe through Clearstream or Euroclear, either as a participant in such systems or indirectly through organizations that are participants in such systems. Clearstream and Euroclear hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositories. Book-entry interests in the notes and all transfers relating to the notes are reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes are cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes takes place through Clearstream and Euroclear participants and settles in same-day funds. Owners of book-entry interests in the notes receive payments relating to their notes in euro, except as described in this exhibit under "—Payments on the Notes."

Information Concerning the Trustee

We have appointed Deutsche Bank Trust Company Americas as the trustee under the indenture and as paying agent, registrar and transfer agent. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

Governing Law

The notes and the indenture are governed by, and construed in accordance with, the laws of the state of New York, without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Certain Definitions

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as of the time of determination, the present value (discounted at the implicit interest factor determined in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items that do not constitute payments for property rights. In the case of any lease which is terminable by the lessee upon payment of a penalty, the Attributable Debt is the lesser of:

- (1) the Attributable Debt determined assuming termination upon the first date such lease may be terminated (in which case the Attributable Debt shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated); and
- (2) the Attributable Debt determined assuming no such termination.

"*Capital Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the Par Call Date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Consolidated Net Tangible Assets*" means, as of the time of determination, the aggregate amount of our assets and the assets of our Subsidiaries, determined on a consolidated basis, after deducting (1) all goodwill, trade names, trademarks, service marks, patents, unamortized debt discount and expense and other intangible assets and (2) all current liabilities, in each case as reflected on the most recent consolidated balance sheet prepared by us in accordance with GAAP contained in an annual report on Form 10-K or a quarterly report on Form 10-Q filed or any amendment thereto pursuant to the Exchange Act by us prior to the time as of which "Consolidated Net Tangible Assets" is being determined or, if we are not required to so file, as reflected on our most recent consolidated balance sheet prepared by us in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in:

- (1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;
- (2) statements and pronouncements of the Financial Accounting Standards Board;
- (3) such other statements by such other entity as approved by a significant segment of the accounting profession; and
- (4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"*Hedging Obligations*" means:

- (1) interest rate swap agreements and other agreements designed to hedge or reduce the risk of interest rate fluctuations; and
- (2) agreements or arrangements designed to hedge or reduce the risk of fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any Person on any date of determination: the principal in respect of (A) indebtedness of such Person for money borrowed, including, without limitation, indebtedness for money borrowed evidenced by notes, debentures, bonds or other similar instruments and (B) all guarantees in respect of such indebtedness of another Person (it being understood, however, that indebtedness for

money borrowed shall in no event include any amounts payable or other liabilities to trade creditors (including undrawn letters of credit) arising in the ordinary course of business). For the avoidance of doubt, Hedging Obligations are not Indebtedness.

"Issue Date" means November 25, 2015, the date on which the notes were originally issued.

"Lien" means any mortgage or deed of trust, charge, pledge, lien, privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other similar encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement); provided, however, that in no event shall an operating lease be deemed to constitute a Lien.

"Permitted Liens" means, with respect to any Person:

- (1) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; provided, however, that the Lien may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Lien is incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be incurred more than 18 months after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;
- (2) Liens existing on the Issue Date;
- (3) Liens on assets (including shares of Capital Stock) of another Person at the time such other Person becomes a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person becomes such a Subsidiary); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (4) Liens on assets at the time such Person or any of its Subsidiaries acquires the assets, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person or any of its Subsidiaries acquired such assets); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary of such Person owing to such Person or to another Restricted Subsidiary of such Person;
- (6) Liens on securities deemed to exist under repurchase agreements and reverse repurchase agreements entered into by us or any Restricted Subsidiary in the ordinary course of business;
- (7) Liens incurred to secure cash management services in the ordinary course of business or on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;
- (8) Liens created to secure the notes and Liens in favor of the trustee granted in accordance with the indenture;
- (9) Liens to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, including Liens or trade letters of credit in favor of any governmental entity, including the United States or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of any such entity, to secure partial, progress, advance or other payments pursuant to any contract or statute;
- (10) Liens on the Capital Stock of a Subsidiary that is not a Restricted Subsidiary;
- (11) purported Liens evidenced by the filing of precautionary UCC financing statements; and
- (12) any extensions, renewals or replacements of any Lien referred to in clauses (1) through (11) without increase of the principal of the Indebtedness secured by such Lien (except to the extent of any fees, premiums or other costs associated with any such extension, renewal or replacement); provided, however, that any Liens permitted by any of clauses (1) through (11) do not extend to or cover any of our properties or any of our Restricted Subsidiaries, as the case may be, other than the property specified in such clauses and improvements to such property.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Restricted Subsidiary" means any Subsidiary other than:

- (1) any Subsidiary primarily engaged in financing receivables or in the finance business; or
- (2) any Subsidiary that is not a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X.

"Sale/Leaseback Transaction" means an arrangement relating to property owned by us or a Restricted Subsidiary on the Issue Date or thereafter acquired by us or a Restricted Subsidiary whereby we or a Restricted Subsidiary transfers such property to a Person and we or a Subsidiary leases it from such Person.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

- (1) such Person;
- (2) such Person and one or more Subsidiaries of such Person; or
- (3) one or more Subsidiaries of such Person.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Description of the 2.375% Senior Notes Due 2024

The following description of our 2.375% Senior Notes due 2024 (the "notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of September 23, 2014, between us and Deutsche Bank Trust Company Americas, as trustee (the "indenture"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. The notes are traded on The Nasdaq Stock Market LLC under the bond trading symbol of "BKNG 24." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

We encourage you to read the above referenced indenture for additional information. See "—Certain Definitions" below for the definitions of capitalized terms used herein.

General

The following is a description of certain of the specific terms and conditions of the notes.

The notes are our general unsecured senior obligations ranking:

- equal in right of payment with any other senior unsecured indebtedness of ours, including our currently outstanding senior notes and any borrowings under our revolving credit facility;
- senior in right of payment to any future indebtedness of ours that is contractually subordinated to the notes;
- structurally subordinated to the claims of our subsidiaries' creditors, including trade creditors; and
- effectively subordinated to any secured indebtedness of ours to the extent of the value of the collateral securing such indebtedness.

The notes were issued in registered form without interest coupons, in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

The maturity date of the notes is September 23, 2024.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. Our subsidiaries do not guarantee any of our obligations under the notes. Our operations are conducted through our subsidiaries and, therefore, we depend on the cash flow of our subsidiaries to meet our obligations, including our obligations under the notes. The notes are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries. Any right we have to receive assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) are effectively subordinated to the claims of that subsidiary's creditors, except to the extent that we are recognized as a creditor of the subsidiary.

The initial aggregate principal amount of the notes was €1,000,000,000. We may, without the consent of the holders, issue additional notes under the indenture in the future with the same terms and with the same CUSIP number as the notes in an unlimited aggregate principal amount; provided that if any such additional notes are not fungible with the notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number. We may also from time to time repurchase the notes in tender offers, open market purchases or negotiated transactions without prior notice to holders.

Payments on the Notes

All payments of interest and principal, including payments made upon any redemption of the notes, are made in euro; *provided* that if euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if euro is no longer being used by the then member states of the European Monetary Union that have adopted euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes are to be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro is to be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, if the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recently available market exchange rate for euro, as determined in our sole discretion. Any payment in respect of the notes so made in U.S. dollars does not constitute an Event of Default under the notes or the indenture governing the notes.

We pay the principal of and interest on notes in global form registered in the name of or held by Euroclear or Clearstream or their respective nominees in immediately available funds to Euroclear or Clearstream or their respective nominees, as the case may be, as the registered holder of such global notes.

Interest

The notes bear interest from September 23, 2014 at an annual rate of 2.375% payable on September 23 of each year, beginning on September 23, 2015.

Interest is paid to the person in whose name a note is registered at the close of business on the September 8 immediately preceding the relevant interest payment date. Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or September 23, 2014 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as Actual/Actual (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date, the maturity date or any earlier required repurchase date upon a designated event falls on a day that is not a business day, the required payment is to be made on the next succeeding business day and no interest on such payment accrues in respect of the delay. The term "business day" means any day, other than a Saturday or Sunday, (1) that is not a day on which banking institutions in the City of New York or London are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

All references to interest in this exhibit include additional interest, if any, payable as described under "—Events of Default" and at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "—Events of Default".

Optional Redemption

The notes will be redeemable in whole or in part by us on or after the date that is three months prior to the maturity date of the notes at 100% of the principal amount of the notes (par), plus accrued and unpaid interest thereon to but excluding the date of redemption. The notes are also redeemable prior to maturity, at our option, in whole or in part (equal to €100,000 and integral multiples of €1,000 in excess thereof), at any time (a "Redemption Date"), at a redemption price equal to the greater of:

- 100% of the aggregate principal amount of the notes to be redeemed; and
- an amount equal to the sum of the present values of the remaining scheduled payments for principal and interest on the notes, not including any portion of the payments of interest accrued as of such Redemption Date, discounted to such Redemption Date on an annual basis at the Comparable Government Bond Rate, plus 25 basis points;

plus, in each of the above cases, accrued and unpaid interest on the notes, if any, to, but excluding, such Redemption Date.

If less than all of the notes are to be redeemed, in the case of certificated notes, the trustee will select notes for redemption pro rata or other method it deems appropriate and fair. In the case of global notes, the depository in coordination with the paying agent may select global notes for redemption pursuant to its applicable procedures. The trustee, in the case of certificated notes shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof. The depository, in connection with the paying agent, in the case of global notes, shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Notice of any redemption is to be mailed at least 30 days but not more than 60 days before the Redemption Date. We are not responsible for giving notice to anyone other than the depository. Unless we default in payment of the redemption price, on or after the Redemption Date, interest ceases to accrue on the notes called for redemption.

The notes are also subject to redemption prior to maturity if certain events occur involving U.S. taxation. If any of these special tax events occurs, the notes will be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to the date fixed for redemption. See "—Redemption for Tax Reasons." Before the redemption date, we will deposit with the paying agent money sufficient to pay the redemption price of and (unless the redemption date is an interest payment date) accrued and unpaid interest to the redemption date on the notes to be redeemed on such date.

Payment of Additional Amounts

All payments of principal and interest on the notes by us are made free and clear of and without withholding or deduction for or on account of any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless the withholding or deduction of such taxes, assessment or other government charge is required by law or the official interpretation or administration thereof. Subject to the exceptions and limitations set forth below, we pay as additional interest on the notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), is not less than the amount provided in the notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

- (1) to the extent any tax, assessment or other governmental charge is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
 - a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
 - b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;
 - c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States income tax purposes or a corporation that has accumulated earnings to avoid U.S. federal income tax;
 - d. being or having been a "10-percent shareholder" of ours as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or
 - e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of

an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

- (3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;
- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment;
- (5) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of notes;
- (6) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (7) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union;
- (8) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (9) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or
- (10) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), and (9).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading "—Payment of Additional Amounts," we are not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading "—Payment of Additional Amounts" and under the heading "—Redemption for Tax Reasons", the term "United States" means the United States of America, the states of the United States, and the District of Columbia, and the term "United States person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, or any estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the Issue Date (as defined herein), we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading "—Payment of Additional Amounts" with respect to the notes, then we may at any time at our option redeem, in whole, but not in part, the notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those notes to, but not including, the date fixed for redemption.

No Sinking Fund

The notes are not entitled to the benefit of any sinking fund.

Certain Covenants

The indenture contains covenants including, among others, the following:

Limitation on Liens

We may not, and may not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing Indebtedness (the "Initial Lien") on any of our properties or assets whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes (together with, at our option, any other Indebtedness or guarantees of ours or any of our Subsidiaries ranking equally in right of payment with the notes or such guarantee) are secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Notwithstanding the foregoing, we and our Restricted Subsidiaries may create, assume, incur or guarantee Indebtedness secured by a Lien without equally and ratably securing the notes; provided that at the time of such creation, assumption, incurrence or guarantee, after giving effect thereto and to the retirement of any Indebtedness that is being retired substantially concurrently with any such creation, assumption, incurrence or guarantee, the sum of (a) the aggregate amount of all of our and our Restricted Subsidiaries' outstanding Indebtedness secured by Liens other than Permitted Liens and (b) the Attributable Debt associated with all of our and our Restricted Subsidiaries' Sale/Leaseback

Transactions permitted by the last paragraph under "—Limitation on Sale/Leaseback Transactions" below, does not at such time exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of incurrence of the Lien and (ii) \$1.4 billion.

Any such Lien thereby created in favor of the notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of each Initial Lien to which it relates, or (ii) any sale, exchange or transfer to any Person who is not our affiliate of the property or assets secured by such Initial Lien.

Limitation on Sale/Leaseback Transactions

We may not, and may not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

- (1) we or such Restricted Subsidiary would be entitled to create a Lien on such property securing the Attributable Debt associated with such Sale/Leaseback Transaction without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens";
- (2) the net proceeds of the sale of the property to be leased are at least equal to such property's fair market value, as determined by our board of directors, and the proceeds are applied within 365 days of the effective date of the Sale/Leaseback Transaction to the purchase, construction, development or acquisition of assets or to the repayment of any of our Indebtedness that ranks equally with the notes or any Indebtedness of one or more Restricted Subsidiaries; provided that the amount required to be applied to the repayment of any such Indebtedness pursuant to this clause (2) shall be reduced by the principal amount of any notes delivered within 365 days after such sale to the trustee for retirement and cancellation;
- (3) such transaction was entered into prior to the date of the initial issuance of the notes under the indenture;
- (4) such transaction involves a lease for not more than three years (or which may be terminated by us or a Restricted Subsidiary within a period of not more than three years);
- (5) such transaction was for the sale and lease between only us and a Subsidiary of ours or only between our Subsidiaries; or
- (6) such transaction involves a sale and lease of property executed by the time of, or within 18 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the property.

Notwithstanding the restrictions outlined in the preceding paragraphs, we and our Restricted Subsidiaries are permitted to enter into Sale/Leaseback Transactions, without complying with the requirements of the preceding paragraph, if, after giving effect thereto, the aggregate amount of all Attributable Debt associated with Sale/Leaseback Transactions not otherwise permitted by the preceding paragraph that is outstanding at such time, together with the aggregate amount of all outstanding Indebtedness secured by Liens permitted under the second paragraph under "—Limitation on Liens" above, does not exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of incurrence of the lien and (ii) \$1.4 billion.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to, another person, unless (i) the resulting, surviving or transferee person, if not us, is a person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; and (ii) immediately after giving effect to such transaction, no default has occurred and is continuing under the indenture; and (iii) the resulting, surviving or transferee person, if not us, expressly assumes by supplemental indenture all of our obligations under the notes and the indenture. Upon any such consolidation, merger or transfer, the resulting, surviving or transferee person shall succeed to, and may exercise every right and power of, us under the indenture.

Events of Default

An "Event of Default" is defined in the indenture as:

- (1) default in any payment of interest on any note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon acceleration or otherwise;
- (3) failure by us to comply with our obligations under "—Consolidation, Merger and Sale of Assets";
- (4) failure by us for 60 days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has been received to comply with any of our other covenants or agreements contained in the notes or indenture;
- (5) default by us or any majority owned subsidiary in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced any debt for money borrowed in excess of \$50 million, in the aggregate of ours and/or any subsidiary, whether such debt now exists or shall hereafter be created, which default results in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by us or such subsidiary; or
- (6) certain events of bankruptcy, insolvency, or reorganization (the "bankruptcy provisions") of us or any of our significant subsidiaries as defined in Rule 1-02 of Regulation S-X promulgated by the SEC as in effect on the original date of issuance of the notes.

If an Event of Default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by written notice to us and the trustee, may, and the trustee at the written request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest is due and payable immediately. Upon an Event of Default arising out of the bankruptcy provisions, however, the aggregate principal amount and accrued and unpaid interest is due and payable immediately.

The holders of a majority in principal amount of the outstanding notes may waive all past defaults except with respect to nonpayment of principal or interest, and may rescind any acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee, if an Event of Default occurs and is continuing, the trustee is under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee in writing to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity satisfactory to it against any loss, liability or expense;
- (4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The indenture provides that in the event an Event of Default has occurred and is continuing, the trustee is required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee is entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The indenture provides that if a default occurs and is continuing and is actually known to a responsible officer of the trustee, the trustee must send to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal or interest on any note, the trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders. In addition, we are required to deliver to the trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any default that occurred during the previous year.

Modification and Amendment

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes of all series under the indenture then outstanding voting as a single class, including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes, and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the notes then outstanding, including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes.

However, without the consent of each holder of an outstanding note affected, no amendment may, among other things:

- (1) make any change to the percentage of principal amount of the notes the holders of which must consent to an amendment;
- (2) reduce the principal amount of, premium, or interest on, or extend the stated maturity or interest payment periods, of the notes;
- (3) change the place or currency of payment of principal or interest in respect of any note;
- (4) impair the right to institute suit for the enforcement of any payment with respect to the notes; or
- (5) waive a default in payment of principal of, premium, if any, or interest on the notes or modify any provisions of the indenture relating to modification or amendment thereof.

Without the consent of any holder, we and the trustee may amend the indenture:

- (1) to evidence the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of the covenants, agreements and obligations in the indenture and in the notes;
- (2) to surrender any right or power conferred upon us by the indenture, to add to our covenants such further covenants, restrictions, conditions or provisions for the protection of the holders of the notes as our board of directors considers to be for the protection of the holders of such debt securities, and to make the occurrence, or the occurrence and continuance, of a default in respect of any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default under the indenture (provided, however, that with respect to any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the trustee upon such default or may limit the right of holders of a majority in aggregate principal amount of the notes to waive such default);
- (3) to cure any ambiguity or correct or supplement any provision contained in the indenture, in any supplemental indenture or in any note that may be defective or inconsistent with any other provision contained therein;
- (4) to convey, transfer, assign, mortgage or pledge any property to or with the trustee, or to make such other provisions in regard to matters or questions arising under the indenture as will not adversely affect in any material respect the interests of any holders of the notes;
- (5) to modify or amend the indenture in such a manner as to permit the qualification of the indenture or any supplemental indenture under the Trust Indenture Act as then in effect;
- (6) to add guarantees with respect to the notes or to secure the notes;
- (7) to add to, change, or eliminate any of the provisions of the indenture with respect to the notes, so long as any such addition, change or elimination not otherwise permitted under the indenture will (a) neither apply to any note created prior to the execution of such

supplemental indenture and entitled to the benefit of such provision nor modify the rights of the holders of any such note with respect to such provision or (b) become effective only when there is no such note outstanding;

- (8) to evidence and provide for the acceptance of appointment by a successor or separate trustee with respect to the notes and to add to or change any of the provisions of the indenture as is necessary to provide for or facilitate the administration of the indenture by more than one trustee; or
- (9) to make any change that does not adversely affect the rights of any holder in any material respect.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, does not impair or affect the validity of the amendment.

Satisfaction and Discharge of the Indenture

The indenture will generally cease to be of any further effect with respect to the notes if (a) we have delivered to the trustee for cancellation all notes (with certain limited exceptions) or (b) all notes not theretofore delivered to the trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such notes (and if, in either case, we will also pay or cause to be paid all other sums payable under the indenture by us).

Defeasance

We may terminate at any time all our obligations with respect to the notes and the indenture, which we refer to as "legal defeasance," except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. We may also terminate at any time our obligations with respect to the notes under the covenants described under "—Certain Covenants" and "—Consolidation, Merger and Sale of Assets", and the operation of certain Events of Default, which we refer to as "covenant defeasance." We may exercise the legal defeasance option notwithstanding our prior exercise of the covenant defeasance option.

If we exercise our legal defeasance option with respect to the notes, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If we exercise the covenant defeasance option with respect to the notes, payment of the notes may not be accelerated pursuant to clause (3), clause (4), or clause (5) under the definition of Event of Default.

The legal defeasance option or the covenant defeasance option with respect to the notes may be exercised only if:

- (1) we irrevocably deposit in trust with the trustee cash or U.S. Government obligations or a combination thereof for the payment of principal of and interest on the notes to maturity;
- (2) such legal defeasance or covenant defeasance does not constitute a default under the indenture or any other material agreement or instrument binding us;
- (3) no default or event of default has occurred and is continuing on the date of such deposit and, with respect to defeasance only, at any time during the period ending on the 123rd day after the date of such deposit (other than, if applicable, a default or event of default with respect to the notes resulting from the borrowing of funds to be applied to such deposits);
- (4) in the case of the legal defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee stating that: a) we have received from the U.S. Internal Revenue Service ("IRS") a letter ruling, or there has been published by the IRS a Revenue Ruling, or b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (5) in the case of the covenant defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (6) we deliver to the trustee an opinion of counsel to the effect that, after the 123rd day after the date of deposit, all money and U.S. Government obligations (or other property as may be provided pursuant to the terms of the indenture) (including the proceeds thereof) deposited or caused to be deposited with the trustee to be held in trust will not be subject to any case or proceeding (whether voluntary or involuntary) in respect of us under any U.S. Federal or state bankruptcy, insolvency, reorganization or other similar law, or any decree or order for relief in respect of us issued in connection therewith; and
- (7) we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the legal defeasance and discharge of the notes have been complied with as required by the indenture.

If we defease our obligations under the indenture, we will be released from our obligations in the provisions described under "—Certain Covenants."

Global Notes, Book-Entry Form

The notes are represented by one or more fully registered global notes. Each such global note is deposited with, or on behalf of, a common depository, and registered in the name of the nominee of the common depository for the accounts of Clearstream Banking, société anonyme or its successor ("Clearstream") and Euroclear Bank, S.A./N.V. or its successor ("Euroclear"). The global notes may generally be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. An investor may hold its interests in the global notes in Europe through Clearstream or Euroclear, either as a participant in such systems or indirectly through organizations that are participants in

such systems. Clearstream and Euroclear hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositories. Book-entry interests in the notes and all transfers relating to the notes are reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes are cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes takes place through Clearstream and Euroclear participants and settles in same-day funds. Owners of book-entry interests in the notes receive payments relating to their notes in euro, except as described in this exhibit under "—Payments on the Notes."

Information Concerning the Trustee

We have appointed Deutsche Bank Trust Company Americas as the trustee under the indenture and as paying agent and Deutsche Bank Luxembourg, S.A. as registrar and transfer agent. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

Governing Law

The notes and the indenture are governed by, and construed in accordance with, the laws of the state of New York, without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Certain Definitions

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the implicit interest factor determined in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items that do not constitute payments for property rights.

"*Capital Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to maturity of the notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Consolidated Net Tangible Assets*" means, as of the time of determination, the aggregate amount of our assets and the assets of our Subsidiaries, determined on a consolidated basis, after deducting (1) all goodwill, trade names, trademarks, service marks, patents, unamortized debt discount and expense and other intangible assets and (2) all current liabilities, in each case as reflected on the most recent consolidated balance sheet prepared by us in accordance with GAAP contained in an annual report on Form 10-K or a quarterly report on Form 10-Q filed or any amendment thereto pursuant to the Exchange Act by us prior to the time as of which "Consolidated Net Tangible Assets" is being determined or, if we are not required to so file, as reflected on our most recent consolidated balance sheet prepared by us in accordance with GAAP.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in:

- (1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;
- (2) statements and pronouncements of the Financial Accounting Standards Board;
- (3) such other statements by such other entity as approved by a significant segment of the accounting profession; and
- (4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"*Hedging Obligations*" means:

- (1) interest rate swap agreements and other agreements designed to hedge or reduce the risk of interest rate fluctuations; and
- (2) agreements or arrangements designed to hedge or reduce the risk of fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any Person on any date of determination: the principal in respect of (A) indebtedness of such Person for money borrowed, including, without limitation, indebtedness for money borrowed evidenced by notes, debentures, bonds or other similar instruments and (B) all guarantees in respect of such indebtedness of another Person (it being understood, however, that indebtedness for money borrowed shall in no event include any amounts payable or other liabilities to trade creditors (including undrawn letters of credit) arising in the ordinary course of business). For the avoidance of doubt, Hedging Obligations are not Indebtedness.

"*Issue Date*" means the date on which the notes were originally issued.

"*Lien*" means any mortgage or deed of trust, charge, pledge, lien, privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other similar encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease

or other title retention agreement); provided, however, that in no event shall an operating lease be deemed to constitute a Lien.

"Permitted Liens" means, with respect to any Person:

- (1) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; provided, however, that the Lien may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Lien is incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be incurred more than 18 months after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;
- (2) Liens existing on the Issue Date;
- (3) Liens on assets (including shares of Capital Stock) of another Person at the time such other Person becomes a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person becomes such a Subsidiary); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (4) Liens on assets at the time such Person or any of its Subsidiaries acquires the assets, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person or any of its Subsidiaries acquired such assets); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary of such Person owing to such Person or to another Restricted Subsidiary of such Person;
- (6) Liens on securities deemed to exist under repurchase agreements and reverse repurchase agreements entered into by us or any Restricted Subsidiary in the ordinary course of business;
- (7) Liens incurred to secure cash management services in the ordinary course of business or on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;
- (8) Liens created to secure the notes and Liens in favor of the trustee granted in accordance with the indenture;
- (9) Liens to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, including Liens or trade letters of credit in favor of any governmental entity, including the United States or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of any such entity, to secure partial, progress, advance or other payments pursuant to any contract or statute;
- (10) Liens on the Capital Stock of a Subsidiary that is not a Restricted Subsidiary;
- (11) purported Liens evidenced by the filing of precautionary UCC financing statements; and
- (12) any extensions, renewals or replacements of any Lien referred to in clauses (1) through (11) without increase of the principal of the Indebtedness secured by such Lien (except to the extent of any fees, premiums or other costs associated with any such extension, renewal or replacement); provided, however, that any Liens permitted by any of clauses (1) through (11) do not extend to or cover any of our properties or any of our Restricted Subsidiaries, as the case may be, other than the property specified in such clauses and improvements to such property.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Restricted Subsidiary" means any Subsidiary other than:

- (1) any Subsidiary primarily engaged in financing receivables or in the finance business; or
- (2) any Subsidiary that is not a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X.

"Sale/Leaseback Transaction" means an arrangement relating to property owned by us or a Restricted Subsidiary on the Issue Date or thereafter acquired by us or a Restricted Subsidiary whereby we or a Restricted Subsidiary transfers such property to a Person and we or a Subsidiary leases it from such Person.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

- (1) such Person;
- (2) such Person and one or more Subsidiaries of such Person; or
- (3) one or more Subsidiaries of such Person.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Description of the 1.800% Senior Notes due 2027

The following description of our 1.800% Senior Notes due 2027 (the "notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of September 23, 2014, between us and Deutsche Bank Trust Company Americas, as trustee (the "indenture"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. The notes are traded on The Nasdaq Stock Market LLC under the bond trading symbol of "BKNG 27." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended.

We encourage you to read the above referenced indenture for additional information. See "—Certain Definitions" below for the definitions of capitalized terms used herein.

General

The following is a description of certain of the specific terms and conditions of notes.

The notes are our general unsecured senior obligations ranking:

- equal in right of payment with any other senior unsecured indebtedness of ours, including our currently outstanding senior notes and any borrowings under our revolving credit facility;
- senior in right of payment to any future indebtedness of ours that is contractually subordinated to the notes;
- structurally subordinated to the claims of our subsidiaries' creditors, including trade creditors; and
- effectively subordinated to any secured indebtedness of ours to the extent of the value of the collateral securing such indebtedness.

The notes were issued in registered form without interest coupons, in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

The maturity date of the notes is March 3, 2027.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. Our subsidiaries do not guarantee any of our obligations under the notes. Our operations are conducted through our subsidiaries and, therefore, we depend on the cash flow of our subsidiaries to meet our obligations, including our obligations under the notes. The notes are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries. Any right we have to receive assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) are effectively subordinated to the claims of that subsidiary's creditors, except to the extent that we are recognized as a creditor of the subsidiary.

The initial aggregate principal amount of the notes was €1,000,000,000. We may, without the consent of the holders, issue additional notes under the indenture in the future with the same terms and with the same CUSIP number as the notes in an unlimited aggregate principal amount; provided that if any such additional notes are not fungible with the notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number. We may also from time to time repurchase the notes in tender offers, open market purchases or negotiated transactions without prior notice to holders.

Payments on the Notes

All payments of interest and principal, including payments made upon any redemption of the notes, are made in euro; *provided* that if euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if euro is no longer being used by the then member states of the European Monetary Union that have adopted euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes are to be made in U.S. dollars until euro is again available to us or so used. The amount payable on any date in euro is to be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, if the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recently available market exchange rate for euro, as determined in our sole discretion. Any payment in respect of the notes so made in U.S. dollars does not constitute an Event of Default under the notes or the indenture governing the notes.

We pay the principal of and interest on notes in global form registered in the name of or held by Euroclear or Clearstream or their respective nominees in immediately available funds to Euroclear or Clearstream or their respective nominees, as the case may be, as the registered holder of such global notes.

Interest

The notes bear interest from March 3, 2015 at an annual rate of 1.800% payable on March 3 of each year, beginning on March 3, 2016.

Interest is paid to the person in whose name a note is registered at the close of business on the February 16 immediately preceding the relevant interest payment date. Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or March 3, 2015 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as Actual/Actual (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date, the maturity date or any earlier required repurchase date upon a designated event falls on a day that is not a business day, the required payment is to be made on the next succeeding business day and no interest on such payment accrues in respect of

the delay. The term "business day" means any day, other than a Saturday or Sunday, (1) that is not a day on which banking institutions in the City of New York or London are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

All references to interest in this exhibit include additional interest, if any, payable as described under "--Events of Default" and at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "--Events of Default".

Optional Redemption

The notes will be redeemable in whole or in part by us on or after the date that is three months prior to the maturity date of the notes at 100% of the principal amount of the notes (par), plus accrued and unpaid interest thereon to but excluding the date of redemption. These notes are also redeemable prior to maturity, at our option, in whole or in part (equal to €100,000 and integral multiples of €1,000 in excess thereof), at any time (a "Redemption Date"), at a redemption price equal to the greater of:

- 100% of the aggregate principal amount of the notes to be redeemed; and
- an amount equal to the sum of the present values of the remaining scheduled payments for principal and interest on the notes, not including any portion of the payments of interest accrued as of such Redemption Date, discounted to such Redemption Date on an annual basis at the Comparable Government Bond Rate, plus 25 basis points;

plus, in each of the above cases, accrued and unpaid interest on the notes, if any, to, but excluding, such Redemption Date.

If less than all of the notes are to be redeemed, in the case of certificated notes, the trustee will select notes for redemption pro rata or other method it deems appropriate and fair. In the case of global notes, the depositary in coordination with the paying agent may select global notes for redemption pursuant to its applicable procedures. The trustee, in the case of certificated notes shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof. The depositary, in connection with the paying agent, in the case of global notes, shall select notes and portions of notes in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Notice of any redemption is to be mailed at least 30 days but not more than 60 days before the Redemption Date. We are not responsible for giving notice to anyone other than the depositary. Unless we default in payment of the redemption price, on or after the Redemption Date, interest ceases to accrue on the notes called for redemption.

The notes are also subject to redemption prior to maturity if certain events occur involving U.S. taxation. If any of these special tax events occurs, the notes will be redeemed at a redemption price of 100% of their principal amount plus accrued and unpaid interest to the date fixed for redemption. See "—Redemption for Tax Reasons." Before the redemption date, we will deposit with the paying agent money sufficient to pay the redemption price of and (unless the redemption date is an interest payment date) accrued and unpaid interest to the redemption date on the notes to be redeemed on such date.

Payment of Additional Amounts

All payments of principal and interest on the notes by us are made free and clear of and without withholding or deduction for or on account of any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless the withholding or deduction of such taxes, assessment or other government charge is required by law or the official interpretation or administration thereof. Subject to the exceptions and limitations set forth below, we pay as additional interest on the notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), is not less than the amount provided in the notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

- (1) to the extent any tax, assessment or other governmental charge is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
 - a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
 - b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;
 - c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States income tax purposes or a corporation that has accumulated earnings to avoid U.S. federal income tax;
 - d. being or having been a "10-percent shareholder" of ours as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or
 - e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

- (3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;
- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment;
- (5) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of notes;
- (6) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (7) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union; to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (8) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or
- (9) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), and (9).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading "—Payment of Additional Amounts," we are not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading "—Payment of Additional Amounts" and under the heading "—Redemption for Tax Reasons", the term "United States" means the United States of America, the states of the United States, and the District of Columbia, and the term "United States person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, or any estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the Issue Date (as defined herein), we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading "—Payment of Additional Amounts" with respect to the notes, then we may at any time at our option redeem, in whole, but not in part, the notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those notes to, but not including, the date fixed for redemption.

No Sinking Fund

The notes are not entitled to the benefit of any sinking fund.

Certain Covenants

The indenture contains covenants including, among others, the following:

Limitation on Liens

We may not, and may not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing Indebtedness (the "Initial Lien") on any of our properties or assets whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes (together with, at our option, any other Indebtedness of ours or any of our Subsidiaries ranking equally in right of payment with the notes) are secured equally and ratably with (or prior to) the obligations so secured for so long as such obligations are so secured.

Notwithstanding the foregoing, we and our Restricted Subsidiaries may create, assume, incur or guarantee Indebtedness secured by a Lien without equally and ratably securing the notes; provided that at the time of such creation, assumption, incurrence or guarantee, after giving effect thereto and to the retirement of any Indebtedness that is being retired substantially concurrently with any such creation, assumption, incurrence or guarantee, the sum of (a) the aggregate amount of all of our and our Restricted Subsidiaries' outstanding Indebtedness secured by Liens other than Permitted Liens and (b) the Attributable Debt associated with all of our and our Restricted Subsidiaries' Sale/Leaseback Transactions permitted by the last paragraph under "—Limitation on Sale/Leaseback Transactions" below, does not at such time exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of incurrence of the Lien and (ii) \$1.4 billion.

Any such Lien thereby created in favor of the notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of each Initial Lien to which it relates, or (ii) any sale, exchange or transfer to any Person who is not our affiliate of the property or

assets secured by such Initial Lien.

Limitation on Sale/Leaseback Transactions

We may not, and may not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

- (1) we or such Restricted Subsidiary would be entitled to create a Lien on such property securing the Attributable Debt associated with such Sale/Leaseback Transaction without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens";
- (2) the net proceeds of the sale of the property to be leased are at least equal to such property's fair market value, as determined by our board of directors, and the proceeds are applied within 365 days of the effective date of the Sale/Leaseback Transaction to the purchase, construction, development or acquisition of assets or to the repayment of any of our Indebtedness that ranks equally with the notes or any Indebtedness of one or more Restricted Subsidiaries; provided that the amount required to be applied to the repayment of any such Indebtedness pursuant to this clause (2) shall be reduced by the principal amount of any notes delivered within 365 days after such sale to the trustee for retirement and cancellation;
- (3) such transaction was entered into prior to the date of the initial issuance of the notes under the indenture;
- (4) such transaction involves a lease for not more than three years (or which may be terminated by us or a Restricted Subsidiary within a period of not more than three years);
- (5) such transaction was for the sale and lease between only us and a Subsidiary of ours or only between our Subsidiaries; or
- (6) such transaction involves a sale and lease of property executed by the time of, or within 18 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the property.

Notwithstanding the restrictions outlined in the preceding paragraphs, we and our Restricted Subsidiaries are permitted to enter into Sale/Leaseback Transactions, without complying with the requirements of the preceding paragraph, if, after giving effect thereto, the aggregate amount of all Attributable Debt associated with Sale/Leaseback Transactions not otherwise permitted by the preceding paragraph that is outstanding at such time, together with the aggregate amount of all outstanding Indebtedness secured by Liens permitted under the second paragraph under "—Limitation on Liens" above, does not exceed the greater of (i) 20% of our Consolidated Net Tangible Assets measured at the date of the Sale/Leaseback Transaction and (ii) \$1.4 billion.

Consolidation, Merger and Sale of Assets

The indenture provides that we will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our properties and assets to, another person, unless (i) the resulting, surviving or transferee person, if not us, is a person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; and (ii) immediately after giving effect to such transaction, no default has occurred and is continuing under the indenture; and (iii) the resulting, surviving or transferee person, if not us, expressly assumes by supplemental indenture all of our obligations under the notes and the indenture. Upon any such consolidation, merger or transfer, the resulting, surviving or transferee person shall succeed to, and may exercise every right and power of, us under the indenture.

Events of Default

An "Event of Default" is defined in the indenture as:

- (1) default in any payment of interest on any note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon acceleration or otherwise;
- (3) failure by us to comply with our obligations under "—Consolidation, Merger and Sale of Assets";
- (4) failure by us for 60 days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has been received to comply with any of our other covenants or agreements contained in the notes or indenture;
- (5) default by us or any majority owned subsidiary in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced any debt for money borrowed in excess of \$75 million in the aggregate of ours and/or any subsidiary, whether such debt now exists or shall hereafter be created, which default results in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by us or such subsidiary; or
- (6) certain events of bankruptcy, insolvency, or reorganization (the "bankruptcy provisions") of us or any of our significant subsidiaries as defined in Rule 1-02 of Regulation S-X promulgated by the SEC as in effect on the original date of issuance of the notes.

If an Event of Default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by written notice to us and the trustee, may, and the trustee at the written request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest is due and payable immediately. Upon an Event of Default arising out of the bankruptcy provisions, however, the aggregate principal amount and accrued and unpaid interest is due and payable immediately.

The holders of a majority in principal amount of the outstanding notes may waive an existing default except with respect to nonpayment of principal or interest or certain other matters, and may rescind any acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee, if an Event of Default occurs and is continuing, the trustee is under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such

holders have offered to the trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee in writing to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity satisfactory to it against any loss, liability or expense;
- (4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The indenture provides that in the event an Event of Default has occurred and is continuing, the trustee is required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee is entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The indenture provides that if a default occurs and is continuing and is actually known to a responsible officer of the trustee, the trustee must send to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal of or interest on any note, the trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders. In addition, we are required to deliver to the trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any default that occurred during the previous year.

Modification and Amendment

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes of all series under the indenture then outstanding and affected by such amendment, voting as a single class (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

However, without the consent of each holder of an outstanding note affected, no amendment may, among other things:

- (1) make any change to the percentage of principal amount of the notes the holders of which must consent to an amendment;
- (2) reduce the principal amount of, premium, or interest on, or extend the stated maturity or interest payment periods, of the notes;
- (3) make any note payable in money or securities other than as stated in the note;
- (4) impair the right to institute suit for the enforcement of any payment with respect to the notes; or
- (5) waive a default in payment of principal of, premium, if any, or interest on the notes or modify any provisions of the indenture relating to modification or amendment thereof.

Without the consent of any holder, we and the trustee may amend the indenture:

- (1) to evidence the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of the covenants, agreements and obligations in the indenture and in the notes;
- (2) to surrender any right or power conferred upon us by the indenture, to add to our covenants such further covenants, restrictions, conditions or provisions for the protection of the holders of the notes as our board of directors considers to be for the protection of the holders of such debt securities, and to make the occurrence, or the occurrence and continuance, of a default in respect of any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default under the indenture (provided, however, that with respect to any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the trustee upon such default or may limit the right of holders of a majority in aggregate principal amount of the notes to waive such default);
- (3) to cure any ambiguity or correct or supplement any provision contained in the indenture, in any supplemental indenture or in any note that may be defective or inconsistent with any other provision contained therein;
- (4) to convey, transfer, assign, mortgage or pledge any property to or with the trustee, or to make such other provisions in regard to matters or questions arising under the indenture as will not adversely affect in any material respect the interests of any holders of the notes;
- (5) to modify or amend the indenture in such a manner as to permit the qualification of the indenture or any supplemental indenture under the Trust Indenture Act as then in effect;
- (6) to add guarantees with respect to the notes or to secure the notes;
- (7) to add to, change, or eliminate any of the provisions of the indenture with respect to the notes, so long as any such addition, change or elimination not otherwise permitted under the indenture will (a) neither apply to any note created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor modify the rights of the holders of any such note with respect to such provision or (b) become effective only when there is no such note outstanding;
- (8) to evidence and provide for the acceptance of appointment by a successor or separate trustee with respect to the notes and to add to or change any of the provisions of the indenture as is necessary to provide for or facilitate the administration of the indenture by more

than one trustee; or

- (9) to make any change that does not adversely affect the rights of any holder in any material respect.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, does not impair or affect the validity of the amendment.

Satisfaction and Discharge of the Indenture

The indenture will generally cease to be of any further effect with respect to the notes if (a) we have delivered to the trustee for cancellation all notes (with certain limited exceptions) or (b) all notes not theretofore delivered to the trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such notes (and if, in either case, we will also pay or cause to be paid all other sums payable under the indenture by us).

Defeasance

We may terminate at any time all our obligations with respect to the notes and the indenture, which we refer to as "legal defeasance," except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. We may also terminate at any time our obligations with respect to the notes under the covenants described under "—Certain Covenants" and "—Consolidation, Merger and Sale of Assets", and the operation of certain Events of Default, which we refer to as "covenant defeasance." We may exercise the legal defeasance option notwithstanding our prior exercise of the covenant defeasance option.

If we exercise our legal defeasance option with respect to the notes, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If we exercise the covenant defeasance option with respect to the notes, payment of the notes may not be accelerated pursuant to clause (3), clause (4), or clause (5) under the definition of Event of Default.

The legal defeasance option or the covenant defeasance option may be exercised only if:

- (1) we irrevocably deposit in trust with the trustee cash or U.S. Government obligations or a combination thereof for the payment of principal of and interest on the notes to maturity;
- (2) such legal defeasance or covenant defeasance does not constitute a default under the indenture or any other material agreement or instrument binding on us;
- (3) no default or event of default has occurred and is continuing on the date of such deposit and, with respect to defeasance only, at any time during the period ending on the 123rd day after the date of such deposit (other than, if applicable, a default or event of default with respect to the notes resulting from the borrowing of funds to be applied to such deposits);
- (4) in the case of the legal defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee stating that: a) we have received from the U.S. Internal Revenue Service ("IRS") a letter ruling, or there has been published by the IRS a Revenue Ruling, or b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (5) in the case of the covenant defeasance option, we deliver to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (6) we deliver to the trustee an opinion of counsel to the effect that, after the 123rd day after the date of deposit, all money and U.S. Government obligations (or other property as may be provided pursuant to the terms of the indenture) (including the proceeds thereof) deposited or caused to be deposited with the trustee to be held in the trust will not be subject to any case or proceeding (whether voluntary or involuntary) in respect of us under any U.S. Federal or state bankruptcy, insolvency, reorganization or other similar law, or any decree or order for relief in respect of us issued in connection therewith; and
- (7) we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the legal defeasance and discharge of the notes have been complied with as required by the indenture.

If we defease our obligations under the indenture, we will be released from our obligations in the provisions described under "—Certain Covenants."

Global Notes, Book-Entry Form

The notes are represented by one or more fully registered global notes. Each such global note is deposited with, or on behalf of, a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Clearstream Banking, société anonyme or its successor ("Clearstream") and Euroclear Bank, S.A./N.V. or its successor ("Euroclear"). The global notes may generally be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. An investor may hold its interests in the global notes in Europe through Clearstream or Euroclear, either as a participant in such systems or indirectly through organizations that are participants in such systems. Clearstream and Euroclear hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositaries. Book-entry interests in the notes and all transfers relating to the notes are reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes are cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes takes place through Clearstream and Euroclear participants and settles in same-day funds. Owners of book-entry interests in the notes receive payments relating to their notes in euro, except as described in this exhibit under "—Payments on the Notes."

Information Concerning the Trustee

We have appointed Deutsche Bank Trust Company Americas as the trustee under the indenture and as paying agent, registrar and transfer agent. The trustee or its affiliates may provide banking and other services to us in the ordinary course of their business.

Governing Law

The notes and the indenture are governed by, and construed in accordance with, the laws of the state of New York, without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Certain Definitions

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as of the time of determination, the present value (discounted at the implicit interest factor determined in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items that do not constitute payments for property rights. In the case of any lease which is terminable by the lessee upon payment of a penalty, the Attributable Debt is the lesser of:

- a. the Attributable Debt determined assuming termination upon the first date such lease may be terminated (in which case the Attributable Debt shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated); and
- b. the Attributable Debt determined assuming no such termination.

"*Capital Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the maturity of the notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Consolidated Net Tangible Assets*" means, as of the time of determination, the aggregate amount of our assets and the assets of our Subsidiaries, determined on a consolidated basis, after deducting (1) all goodwill, trade names, trademarks, service marks, patents, unamortized debt discount and expense and other intangible assets and (2) all current liabilities, in each case as reflected on the most recent consolidated balance sheet prepared by us in accordance with GAAP contained in an annual report on Form 10-K or a quarterly report on Form 10-Q filed or any amendment thereto pursuant to the Exchange Act by us prior to the time as of which "Consolidated Net Tangible Assets" is being determined or, if we are not required to so file, as reflected on our most recent consolidated balance sheet prepared by us in accordance with GAAP.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in:

- (1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;
- (2) statements and pronouncements of the Financial Accounting Standards Board;
- (3) such other statements by such other entity as approved by a significant segment of the accounting profession; and
- (4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"*Hedging Obligations*" means:

- (1) interest rate swap agreements and other agreements designed to hedge or reduce the risk of interest rate fluctuations; and
- (2) agreements or arrangements designed to hedge or reduce the risk of fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any Person on any date of determination: the principal in respect of (A) indebtedness of such Person for money borrowed, including, without limitation, indebtedness for money borrowed evidenced by notes, debentures, bonds or other similar instruments and (B) all guarantees in respect of such indebtedness of another Person (it being understood, however, that indebtedness for money borrowed shall in no event include any amounts payable or other liabilities to trade creditors (including undrawn letters of credit) arising in the ordinary course of business). For the avoidance of doubt, Hedging Obligations are not Indebtedness.

"*Issue Date*" means the date on which the notes were originally issued.

"*Lien*" means any mortgage or deed of trust, charge, pledge, lien, privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other similar encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement); provided, however, that in no event shall an operating lease be deemed to constitute a Lien.

"*Permitted Liens*" means, with respect to any Person:

- (1) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; provided, however, that the Lien may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Lien is incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be incurred more than 18 months after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;
- (2) Liens existing on the Issue Date;
- (3) Liens on assets (including shares of Capital Stock) of another Person at the time such other Person becomes a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person becomes such a Subsidiary); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (4) Liens on assets at the time such Person or any of its Subsidiaries acquires the assets, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person (other than a Lien incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which such Person or any of its Subsidiaries acquired such assets); provided, however, that the Liens may not extend to any other categories of assets owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary of such Person owing to such Person or to another Restricted Subsidiary of such Person;
- (6) Liens on securities deemed to exist under repurchase agreements and reverse repurchase agreements entered into by us or any Restricted Subsidiary in the ordinary course of business;
- (7) Liens incurred to secure cash management services in the ordinary course of business or on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;
- (8) Liens created to secure the notes and Liens in favor of the trustee granted in accordance with the indenture;
- (9) Liens to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, including Liens or trade letters of credit in favor of any governmental entity, including the United States or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of any such entity, to secure partial, progress, advance or other payments pursuant to any contract or statute;
- (10) Liens on the Capital Stock of a Subsidiary that is not a Restricted Subsidiary;
- (11) purported Liens evidenced by the filing of precautionary UCC financing statements; and
- (12) any extensions, renewals or replacements of any Lien referred to in clauses (1) through (11) without increase of the principal of the Indebtedness secured by such Lien (except to the extent of any fees, premiums or other costs associated with any such extension, renewal or replacement); provided, however, that any Liens permitted by any of clauses (1) through (11) do not extend to or cover any of our properties or any of our Restricted Subsidiaries, as the case may be, other than the property specified in such clauses and improvements to such property.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Restricted Subsidiary*" means any Subsidiary other than:

- (1) any Subsidiary primarily engaged in financing receivables or in the finance business; or
- (2) any Subsidiary that is not a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X.

"*Sale/Leaseback Transaction*" means an arrangement relating to property owned by us or a Restricted Subsidiary on the Issue Date or thereafter acquired by us or a Restricted Subsidiary whereby we or a Restricted Subsidiary transfers such property to a Person and we or a Subsidiary leases it from such Person.

"*Subsidiary*" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

- (1) such Person;
- (2) such Person and one or more Subsidiaries of such Person; or
- (3) one or more Subsidiaries of such Person.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

**LIST OF SUBSIDIARIES
AS OF DECEMBER 31, 2019***

Name	Jurisdiction of Incorporation	Percent Ownership
Agoda Company Pte. Ltd.	Singapore	100%
Booking.com B.V.	The Netherlands	100%
Booking.com Holding B.V.	The Netherlands	100%
KAYAK Software Corporation	Delaware	100%
OpenTable, Inc.	Delaware	100%
Priceline.com Bookings Acquisition Company Limited	United Kingdom	100%
Priceline.com Europe Holdco, Inc.	Delaware	100%
Priceline.com Holdco U.K. Limited	United Kingdom	100%
priceline.com International Ltd.	United Kingdom	100%
priceline.com LLC	Delaware	100%
Agoda Holding Company Limited	Mauritius	100%
Booking Holdings Treasury Company	Delaware	100%
TravelJigsaw Holdings Limited	United Kingdom	100%
TravelJigsaw Limited	United Kingdom	100%
Coronado Pte Ltd	Singapore	100%

* Certain subsidiaries which, when considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2019, have been excluded.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-219800 and 333-198515 on Form S-3 and 333-203946, 333-196756, 333-197639, 333-151413, 333-122414, 333-65034, 333-55578, 333-83233, 333-188733 and 333-189145 on Form S-8 of our reports dated February 26, 2020, relating to the consolidated financial statements of Booking Holdings Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph related to the Company's change in method of accounting for the recognition and measurement of financial instruments in 2018 due to the adoption of an accounting standard update), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut

February 26, 2020

CERTIFICATIONS

I, Glenn D. Fogel, certify that:

1. I have reviewed the Annual Report on Form 10-K of Booking Holdings Inc. (the “Registrant”) for the year ended December 31, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

February 26, 2020

/s/ Glenn D. Fogel

Name: Glenn D. Fogel
 Title: Chief Executive Officer and President

CERTIFICATIONS

I, David I. Goulden, certify that:

1. I have reviewed the Annual Report on Form 10-K of Booking Holdings Inc. (the "Registrant") for the year ended December 31, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

February 26, 2020

/s/ David I. Goulden

Name: David I. Goulden

Title: Executive Vice President and Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Booking Holdings Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2019 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 26, 2020

/s/ Glenn D. Fogel

Name: Glenn D. Fogel

Title: Chief Executive Officer and President

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Booking Holdings Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2019 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 26, 2020

/s/ David I. Goulden

Name: David I. Goulden

Title: Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.