

Consolidated Financial Statements

EXPEDIA GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year ended December 31, | | |
|---|--|---------------|---------------|
| | 2018 | 2017 | 2016 |
| | (In millions, except for per share data) | | |
| Revenue | \$ 11,223 | \$ 10,060 | \$ 8,774 |
| Costs and expenses: | | | |
| Cost of revenue ⁽¹⁾ | 1,965 | 1,757 | 1,597 |
| Selling and marketing ⁽¹⁾ | 5,767 | 5,298 | 4,367 |
| Technology and content ⁽¹⁾ | 1,617 | 1,387 | 1,235 |
| General and administrative ⁽¹⁾ | 808 | 676 | 678 |
| Amortization of intangible assets | 283 | 275 | 317 |
| Impairment of goodwill | 86 | — | — |
| Impairment of intangible assets | 42 | — | 35 |
| Legal reserves, occupancy tax and other | (59) | 25 | 27 |
| Restructuring and related reorganization charges ⁽¹⁾ | — | 17 | 56 |
| Operating income | 714 | 625 | 462 |
| Other income (expense): | | | |
| Interest income | 71 | 34 | 20 |
| Interest expense | (190) | (182) | (173) |
| Other, net | (110) | (60) | (32) |
| Total other expense, net | (229) | (208) | (185) |
| Income before income taxes | 485 | 417 | 277 |
| Provision for income taxes | (87) | (45) | (16) |
| Net income | 398 | 372 | 261 |
| Net loss attributable to non-controlling interests | 8 | 6 | 21 |
| Net income attributable to Expedia Group, Inc. | \$ 406 | \$ 378 | \$ 282 |
| Earnings per share attributable to Expedia Group, Inc. available to common stockholders: | | | |
| Basic | \$ 2.71 | \$ 2.49 | \$ 1.87 |
| Diluted | 2.65 | 2.42 | 1.82 |
| Shares used in computing earnings per share (000's): | | | |
| Basic | 149,961 | 151,619 | 150,367 |
| Diluted | 152,889 | 156,385 | 154,517 |
| (1) Includes stock-based compensation as follows: | | | |
| Cost of revenue | \$ 11 | \$ 10 | \$ 11 |
| Selling and marketing | 44 | 40 | 47 |
| Technology and content | 61 | 55 | 63 |
| General and administrative | 87 | 44 | 108 |
| Restructuring and related reorganization charges | — | — | 13 |

See notes to consolidated financial statements.

EXPEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|--------------------------------------|-----------|
| | 2018 | 2017 |
| | (In millions, except per share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,443 | \$ 2,847 |
| Restricted cash and cash equivalents | 259 | 69 |
| Short-term investments | 28 | 468 |
| Accounts receivable, net of allowance of \$34 and \$31 | 2,151 | 1,866 |
| Income taxes receivable | 24 | 21 |
| Prepaid expenses and other current assets | 292 | 269 |
| Total current assets | 5,197 | 5,540 |
| Property and equipment, net | 1,877 | 1,575 |
| Long-term investments and other assets | 778 | 845 |
| Deferred income taxes | 69 | 18 |
| Intangible assets, net | 1,992 | 2,309 |
| Goodwill | 8,120 | 8,229 |
| TOTAL ASSETS | \$ 18,033 | \$ 18,516 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable, merchant | \$ 1,699 | \$ 1,838 |
| Accounts payable, other | 788 | 698 |
| Deferred merchant bookings | 4,327 | 3,219 |
| Deferred revenue | 364 | 326 |
| Income taxes payable | 74 | 33 |
| Accrued expenses and other current liabilities | 808 | 1,265 |
| Current maturities of long-term debt | — | 500 |
| Total current liabilities | 8,060 | 7,879 |
| Long-term debt, excluding current maturities | 3,717 | 3,749 |
| Deferred income taxes | 69 | 329 |
| Other long-term liabilities | 506 | 408 |
| Commitments and contingencies | | |
| Redeemable non-controlling interests | 30 | 22 |
| Stockholders' equity: | | |
| Common stock \$.0001 par value | — | — |
| Authorized shares: 1,600,000 | | |
| Shares issued: 231,493 and 228,467 | | |
| Shares outstanding: 134,334 and 138,939 | | |
| Class B common stock \$.0001 par value | — | — |
| Authorized shares: 400,000 | | |
| Shares issued and outstanding: 12,800 and 12,800 | | |
| Additional paid-in capital | 9,549 | 9,163 |
| Treasury stock — Common stock, at cost | (5,742) | (4,822) |
| Shares: 97,159 and 89,528 | | |
| Retained earnings | 517 | 331 |
| Accumulated other comprehensive income (loss) | (220) | (149) |
| Total Expedia Group, Inc. stockholders' equity | 4,104 | 4,523 |
| Non-redeemable non-controlling interests | 1,547 | 1,606 |
| Total stockholders' equity | 5,651 | 6,129 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 18,033 | \$ 18,516 |

See notes to consolidated financial statements.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | December 31, | | |
|--|-----------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 |
| | (In millions) | | |
| Operating activities: | | | |
| Net income | \$ 398 | \$ 372 | \$ 261 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of property and equipment, including internal-use software and website development | 676 | 614 | 477 |
| Amortization of stock-based compensation | 203 | 149 | 242 |
| Amortization and impairment of intangible assets | 325 | 275 | 352 |
| Impairment of goodwill | 86 | — | — |
| Deferred income taxes | (308) | (103) | (14) |
| Foreign exchange (gain) loss on cash, restricted cash and short-term investments, net | 111 | (79) | 16 |
| Realized (gain) loss on foreign currency forwards | (31) | (6) | 53 |
| Loss on minority equity investments, net | 111 | 14 | 12 |
| Other | 22 | (30) | (4) |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | | |
| Accounts receivable | (282) | (456) | (276) |
| Prepaid expenses and other assets | (29) | (71) | (45) |
| Accounts payable, merchant | (134) | 316 | 184 |
| Accounts payable, other, accrued expenses and other current liabilities | 196 | 257 | 79 |
| Tax payable/receivable, net | 102 | (30) | (100) |
| Deferred merchant bookings | 489 | 593 | 261 |
| Deferred revenue | 40 | 30 | 51 |
| Net cash provided by operating activities | 1,975 | 1,845 | 1,549 |
| Investing activities: | | | |
| Capital expenditures, including internal-use software and website development | (878) | (710) | (749) |
| Purchases of investments | (1,803) | (1,811) | (45) |
| Sales and maturities of investments | 2,137 | 1,096 | 61 |
| Acquisitions, net of cash and restricted cash acquired | (53) | (169) | (1) |
| Other, net | 38 | 13 | 16 |
| Net cash used in investing activities | (559) | (1,581) | (718) |
| Financing activities: | | | |
| Payment of long-term debt | (500) | — | — |
| Proceeds from issuance of long-term debt, net of issuance costs | — | 990 | (2) |
| Payment of HomeAway Convertible Notes | — | — | (401) |
| Purchases of treasury stock | (923) | (312) | (456) |
| Proceeds from issuance of treasury stock | 31 | — | — |
| Payment of dividends to stockholders | (186) | (176) | (150) |
| Proceeds from exercise of equity awards and employee stock purchase plan | 166 | 229 | 141 |
| Changes in controlled subsidiaries, net | (62) | (18) | 208 |
| Other, net | (15) | (25) | (31) |
| Net cash provided by (used in) financing activities | (1,489) | 688 | (691) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash and cash equivalents | (139) | 147 | (35) |
| Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents | (212) | 1,099 | 105 |
| Cash, cash equivalents and restricted cash and cash equivalents at beginning of year | 2,917 | 1,818 | 1,713 |
| Cash, cash equivalents and restricted cash and cash equivalents at end of year | \$ 2,705 | \$ 2,917 | \$ 1,818 |
| Supplemental cash flow information | | | |
| Cash paid for interest | \$ 196 | \$ 163 | \$ 154 |
| Income tax payments, net | 282 | 174 | 124 |

See notes to consolidated financial statements.