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.

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

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	December 31, 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	$ 4,990	$ 3,685	$ 2,714

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	$ 6,332	$ 2,645	$ 2,563

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	$ 220	$ 149

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	$ 3,123	$ 10,358	$ 200	$ 13,681

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	$ 49	$ 51	$ 35

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	43,509	48,017	49,954

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			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
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
	$ 1,954

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)	$ 2,913	$ 2,910

(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**			**Total, net of tax**	
	Before tax	Tax benefit[3]	Before tax	Tax (expense) benefit		Before tax	Tax (expense) benefit[4]		
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	$ 1,093	$ 837	$ 2,058

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	$ 56	$ 45	$ 32

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.

16. COMMITMENTS AND 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	$	556

(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.