

Registration number: 09280068

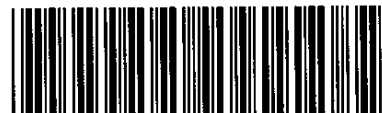
WeWork International Limited

Annual report and financial statements

For the year ended 31 December 2018

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WeWork International Limited

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WeWork International Limited

Company information

Directors	Abraham Safdie Anthony Yazbeck
Company secretary	7Side Secretarial Limited
Registered office	c/o Legalinx Limited 1 Fetter Lane London EC4A 1BR
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

WeWork International Limited

Strategic report

For the year ended 31 December 2018

The Directors present their Strategic report of WeWork International Limited ("the Company") for the year ended 31 December 2018, to comply with section 414C of the Companies Act 2006.

Principal activities

The Company acts as an intermediate holding company for investment into the UK operating entities of its ultimate parent and also provides services and intellectual property to various non-US operating companies under common control with the Company's ultimate parent and therefore incurs expenses and earns income in relation to the provision of those services and that intellectual property.

Review of the business and future developments

The Directors are satisfied with the performance for the year. Management fee income increased by £16,967,886 to £35,754,294 during the year primarily as a result of increases in the number and activity of other group companies to which the Company was providing services and changes to the Company's management and revenue sharing transfer pricing arrangements with other group companies. Administrative expenses increased by £84,108,863 to £109,806,497 during the year which includes an increase of £46,669,774 in expenses paid by the Company to its ultimate parent in connection with the use of intellectual property and other support services. The Company expects to continue to support the operations of various non-US operating companies under common control with the Company's ultimate parent as they continue to grow.

Key performance indicators

Due to the nature of the Company's principal activities as a holding company and service provider to only related group companies, it is not meaningful to consider most key performance indicators. Management regularly reviews the management fee income earned from group undertakings.

Financial risk management objectives and policies

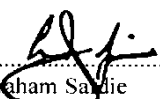
The Company's principal financial liabilities include loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its services provided.

Principal risks and uncertainties

The Company is exposed to market risk, credit risk, foreign currency risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

A principal risk facing the Company is uncertainty in the macro-economic environment. Our business may be affected by political instability and potential unfavorable changes in laws and regulations in markets in which other group companies operate. Negotiations and any final resolution of plans for secession of the UK from the EU may impact the Company's UK operations and has also impacted the GBP currency exchange rate.

Approved by the Board on 27 September 2019 and signed on its behalf by.


Abraham Sandie
Director

WeWork International Limited

Directors' report

For the year ended 31 December 2018

The Directors present their annual report and audited financial statements of WeWork International Limited (the 'Company') for the year ended 31 December 2018.

The Company has, in accordance with Section 414c of the Companies Act 2006, set out in the Strategic report information regarding key performance indicators, principal risks and uncertainties, and future developments that would otherwise have been set out in the Directors' report.

Principal activities

The Company acts as an intermediate holding company for investment into the UK operating entities of its ultimate parent and also provides services and intellectual property to various non-US operating companies under common control with the Company's ultimate parent and therefore incurs expenses and earns income in relation to the provision of those services and that intellectual property.

Results and dividends

During the year, the Company generated revenue of £35,754,294 (2017: £18,786,408) through management fee income. There were administrative expenses of £109,806,497 (2017: £25,697,634) during the year. In light of this, the Company is reporting a loss of £75,860,689 (2017: loss of £7,586,689) for the year ended 31 December 2018.

Cash and cash equivalents as at the year end for the Company were £15,802,663 (2017: £8,652,592).

The Directors do not propose the payment of a dividend for the year (2017: £nil).

Directors

The Directors who held office throughout the year and up to the date of the signing of the financial statements, unless otherwise stated were as follows

Abraham Saïdie
Anthony Yazbeck

Going concern

The accounts have been prepared on a going concern basis; see note 3 for further details.

Directors' indemnities

Qualifying third party indemnity provisions (as defined in Section 234 (2) of the Companies Act 2006) are in force for the benefit of the Directors.

Events after the reporting date

Events after the reporting date can be found in note 19.

Auditor

RSM UK Audit LLP have indicated their willingness to be appointed as auditors and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General Meeting.

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

WeWork International Limited

Directors' report (continued) For the year ended 31 December 2018

Directors' responsibilities statement (continued)

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard (FRS) 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

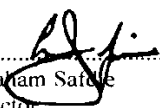
Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 27 September 2019 and signed on its behalf by:


.....
Abraham Sade
Director

WeWork International Limited

Independent auditor's report to the members of WeWork International Limited

Opinion

We have audited the financial statements of WeWork International Limited (the 'Company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice)

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

WeWork International Limited

Independent auditor's report to the members of WeWork International Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion,

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

WeWork International Limited

**Independent auditor's report to the members of WeWork International Limited
(continued)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

David Clark FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: **30 September 2019**

WeWork International Limited

Statement of comprehensive income For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	5	35,754,294	18,786,408
Administrative expenses		<u>(109,806,497)</u>	<u>(25,697,634)</u>
Operating loss		(74,052,203)	(6,911,226)
Finance income	6	3,095,641	166,306
Finance costs	7	<u>(4,904,127)</u>	<u>(841,769)</u>
Loss before taxation		(75,860,689)	(7,586,689)
Tax on loss	10	<u>-</u>	<u>-</u>
Loss for the financial year	11	(75,860,689)	(7,586,689)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(75,860,689)</u>	<u>(7,586,689)</u>

The results for the financial year shown above are derived entirely from continuing activities.

The notes on pages 11 to 28 form an integral part of these financial statements.

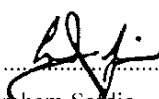
WeWork International Limited

Statement of financial position As at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	12	1,174,478	1,514,122
Investments in subsidiaries	13	5,024,967	439,434
Trade and other receivables	15	<u>180,789,883</u>	<u>92,712,081</u>
		<u>186,989,328</u>	<u>94,665,637</u>
Current assets			
Inventories	14	4,127,430	-
Trade and other receivables	15	108,691,185	55,893,140
Cash at bank and in hand		<u>15,802,663</u>	<u>8,652,592</u>
		<u>128,621,278</u>	<u>64,545,732</u>
Total assets		<u>315,610,606</u>	<u>159,211,369</u>
Current liabilities			
Trade and other payables	16	<u>(90,706,001)</u>	<u>(52,554,339)</u>
Net current assets		<u>37,915,277</u>	<u>11,991,393</u>
Total assets less current liabilities		<u>224,904,605</u>	<u>106,657,030</u>
Non-current liabilities			
Borrowings	17	<u>(300,230,271)</u>	<u>(110,689,951)</u>
Net liabilities		<u>(75,325,666)</u>	<u>(4,032,921)</u>
Equity			
Called-up share capital	18	1	1
Capital contribution reserves	18	10,132,725	5,564,781
Retained earnings	18	<u>(85,458,392)</u>	<u>(9,597,703)</u>
Total shareholders' deficit		<u>(75,325,666)</u>	<u>(4,032,921)</u>

The financial statements of WeWork International Limited (registration number: 09280068) were approved by the Board of Directors and authorised for issue on 27 September 2019.

They were signed on its behalf by:



 Abraham Sandie
 Director

The notes on pages 11 to 28 form an integral part of these financial statements

WeWork International Limited

**Statement of changes in equity
For the year ended 31 December 2018**

	Called-up share capital £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2017	1	-	(2,011,014)	(2,011,013)
Loss for the financial year	-	-	(7,586,689)	(7,586,689)
Total comprehensive loss for the financial year	-	-	(7,586,689)	(7,586,689)
Share based payment transactions	-	5,564,781	-	5,564,781
At 31 December 2017	1	5,564,781	(9,597,703)	(4,032,921)
	Called-up share capital £	Capital contribution reserve £	Retained earnings £	Total £
At 1 January 2018	1	5,564,781	(9,597,703)	(4,032,921)
Loss for the financial year	-	-	(75,860,689)	(75,860,689)
Total comprehensive loss for the financial year	-	-	(75,860,689)	(75,860,689)
Share based payment transactions	-	4,567,944	-	4,567,944
At 31 December 2018	1	10,132,725	(85,458,392)	(75,325,666)

The notes on pages 11 to 28 form an integral part of these financial statements.

WeWork International Limited

Notes to the financial statements For the year ended 31 December 2018

1 General information

WeWork International Limited (the 'Company') is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
c/o Legalinx Limited
1 Fetter Lane
London
EC4A 1BR

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2 Changes in accounting policy

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the period ended 31 December 2018. Management has performed an assessment and concluded that these did not have a material impact on the Company other than in respect of the presentation and disclosure of accounting policies and line items in the financial statements. No other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the Company.

Standards issued but not yet effective

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and applies to all leases including subleases. The standard eliminated the classification by a lessee of leases as either operating or finance. All leases will instead be treated similarly to that of finance leases in accordance with IAS 17. The standard will become effective for accounting periods beginning on 1 January 2019.

The implementation of IFRS 16 has no impact on the Company's financial statements for the current year.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standards 100 issued by the Financial Reporting Council, and applicable legal and regulatory requirements of the Companies Act 2006.

The Company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity. The accounts of the Company's ultimate parent company, The We Company, have been filed alongside the Company's accounts.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, related party transactions and share options.

Where required, equivalent disclosures have been given in the consolidated accounts of The We Company.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future, based on the continued support by its parent company. The Directors have prepared projections for at least twelve months from the date of approval of these financial statements. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Company as regards to current expected revenues and its cost base and the Company's available support from its parent.

The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that may be necessary in the event that adequate funding was not made available.

Revenue recognition

The Company recognises revenue under the five-step methodology required under IFRS 15, which requires the Company to identify the relevant contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations identified and recognise revenue when (or as) each performance obligation is satisfied.

The Company's primary revenue categories, related performance obligations, and associated recognition patterns are as follows:

Management Fee Income - Management fee income includes revenue earned for services provided to group locations within the United Kingdom and internationally. The Company recognises revenue when the Company has transferred control of the service to the group companies.

Billing terms and conditions generally vary by contract category. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., upfront, monthly, or quarterly) or upon achievement of contractual milestones.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date and included in other expenses. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the end of each reporting period. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Tax (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial risk management

The Company's principal financial liabilities are comprised of loans and trade and other payables. The Company's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Company has market risk exposure arising from changes in interest rates on the Company's non-current loan obligations due to and from group undertakings with variable interest rates.

Foreign currency risk arises as a result of transactions denominated in a currency other than the Company's functional currency, primarily attributable to transactions with group undertakings. Changes in foreign currency exchange rates can impact the foreign currency gain (loss) recorded in the statement of comprehensive income

The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. This risk is minimised as cash and cash equivalent assets are held on highly liquid cash holdings and borrowings are solely made up of loans due to group undertakings.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing from the month the asset is brought into use, on the following basis:

Asset class

Leasehold improvements

Furniture, fixtures, equipment and computer equipment

Depreciation rate

Shorter of term of lease or useful life

3 - 7 years

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Accounting policies (continued)

Depreciation (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Property and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that the asset may have been impaired. In evaluating an asset for recoverability, the Company considers the future cash flows expected to result from the use of the asset and the eventual disposal of the asset. If the sum of the expected future cash flows, on an undiscounted basis, is less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value of the asset is recognised. The Company's management determined that no events or changes in circumstances occurred that indicate the asset carrying values were no longer recoverable and that no impairment charge was necessary for the period ended 31 December 2018.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Management determines an allowance that reflects its best estimate of the accounts receivable due from customers, related parties, landlords, and others that will not be collected. Management considers many factors in evaluating its reserve with respect to these accounts receivable, including historical data, experience, creditworthiness and income trends

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less from the date of purchase.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and provided to the Company prior to the end of the financial year and which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Interest-bearing loans are recorded at the proceeds received net of direct issue costs. Borrowing costs are recognised in profit or loss in the year in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. The Company did not have any qualifying assets and therefore, no borrowing costs have been capitalised in the current year or in prior year.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Equity-settled share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

No critical accounting judgements have been made by the Directors in the current year.

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

5 Revenue

The analysis of the Company's revenue for the year which arises in the United Kingdom, is as follows:

	2018	2017
	£	£
Management fee income	<u>35,754,294</u>	<u>18,786,408</u>

6 Finance income

	2018	2017
	£	£
Interest on group loans	<u>3,095,641</u>	<u>166,306</u>

7 Finance costs

	2018	2017
	£	£
Interest on group loans	<u>4,904,127</u>	<u>841,769</u>

8 Staff numbers and costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2018	2017
	£	£
Wages and salaries	31,204,457	12,374,917
Social security costs	3,681,289	1,933,219
Other short-term employee benefits	55,528	48,749
Share-based payment expenses	<u>4,531,032</u>	<u>5,564,781</u>
	<u>39,472,306</u>	<u>19,921,666</u>

Certain wage costs incurred by the Company are reallocated to other group undertakings.

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2018	2017
	No.	No.
Administration and support	<u>440</u>	<u>198</u>

Remuneration of the Company's directors and key management personnel for the current and prior years was borne by other group undertakings and it is not practical to allocate the time the directors and key management personnel spent on the UK Company.

The Company operates a defined contribution pension scheme for all qualifying employees. During the year the Company contributed £353,192 (2017: £nil) towards the scheme.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

9 Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditors for:		
- Audit of the Company's annual accounts	40,000	32,500
- Audit of the Company's subsidiaries pursuant to legislation	346,400	271,000
	<u>386,400</u>	<u>303,500</u>

10 Tax on loss

Tax charged for the year in the statement of comprehensive income:

	2018 £	2017 £
Current tax		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Current year	-	-
Tax charge/(credit) in the statement of comprehensive income	<u>-</u>	<u>-</u>

The tax on loss before taxation for the year differs from the effective rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Loss before taxation	<u>(75,860,689)</u>	<u>(39,868,541)</u>
Tax on loss at effective UK tax rate of 19% (2017: 19.25%)	(14,413,531)	(1,460,178)
Effects of:		
Expenses not deductible	106,142	46,463
Interest disallowed under the Corporate Interest Restriction rules	376,883	-
Amounts not recognised	14,619,812	1,099,353
Share options acquisition relief	<u>(689,306)</u>	<u>314,362</u>
Tax charge/(credit) for the year	<u>-</u>	<u>-</u>

A deferred tax asset of £15,983,830 (2017: £2,416,518) has not been recognised in respect of carry forward losses and temporary timing differences, as there is insufficient certainty that the deferred tax assets will be utilised in the foreseeable future.

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

10 Tax on loss (continued)

Factors that may affect future tax charges

Finance (No. 2) Act 2015 provided for reductions to the UK corporation tax rate to 19% and 18% effective from 1 April 2017 and 1 April 2020 respectively. In the Finance Bill 2016 the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. The Finance Bill 2016 had been substantively enacted at the reporting date and consequently these reduced rates have been reflected in the calculation of deferred tax.

11 Loss for the financial year

Loss for the financial year is stated after (crediting)/charging:

	2018 £	2017 £
Foreign exchange (gains)/losses	(331,527)	2,916
Depreciation of tangible fixed assets	296,790	86,420
Rent expenses paid to group undertakings	4,218,480	2,012,320
Management fee expense paid to group undertakings	48,370,005	1,700,231
Staff costs	31,859,249	15,330,193
Selling, general and administrative expenses	25,315,588	6,516,309

The audit fee for the Company is set out in note 9.

12 Property, plant and equipment

	Leasehold improvements £	Furniture, fittings and equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2018	179,097	953,658	496,841	1,629,596
Additions	1,202,947	2,141,015	740,614	4,084,576
Reclassification to inventory	(1,157,453)	(2,870,766)	(99,211)	(4,127,430)
At 31 December 2018	224,591	223,907	1,138,244	1,586,742
Accumulated depreciation				
At 1 January 2018	5,779	83,404	26,291	115,474
Charge for the year	228	28,467	268,095	296,790
At 31 December 2018	6,007	111,871	294,386	412,264
Carrying amount				
At 31 December 2018	218,584	112,036	843,858	1,174,478
At 31 December 2017	173,318	870,254	470,550	1,514,122

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

13 Investments in subsidiaries

	£
Cost	
At 1 January 2018	439,434
Additions	4,585,533
At 31 December 2018	<u>5,024,967</u>
Carrying amount	
At 31 December 2018	<u>5,024,967</u>
At 31 December 2017	<u>439,434</u>

Details of the Company's subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
1 Mark Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
1 Poultry Tenant Limited	Office space	United Kingdom	Ordinary 100%
1 St Katharine's Way Tenant Limited	Office space	United Kingdom	Ordinary 100%
1 St Peter's Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
2 Eastbourne Tenant Limited	Office space	United Kingdom	Ordinary 100%
2 Southbank Tenant Limited	Office space	United Kingdom	Ordinary 100%
3 Waterhouse Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
5 Canada Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
5 Merchant Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
10 Back Hill Tenant Limited	Office space	United Kingdom	Ordinary 100%
12 Hammersmith Grove Tenant Limited	Office space	United Kingdom	Ordinary 100%

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

13 Investments in subsidiaries (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
14-16 Great Chapel Tenant Limited	Office space	United Kingdom	Ordinary 100%
15 Bishopsgate Tenant Limited	Office space	United Kingdom	Ordinary 100%
33 Q Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
38 Chancery Lane Tenant Limited	Office space	United Kingdom	Ordinary 100%
51 Eastcheap Tenant Limited	Office space	United Kingdom	Ordinary 100%
65-70 White Lion Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
70 Wilson Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
71-91 Aldwych House Tenant Limited	Office space	United Kingdom	Ordinary 100%
89-115 Mare Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
90 York Way Tenant Limited	Office space	United Kingdom	Ordinary 100%
97 Hackney Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
119 Marylebone Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
120 Moorgate Tenant Limited	Office space	United Kingdom	Ordinary 100%
125 Kingsway Tenant Limited	Office space	United Kingdom	Ordinary 100%
125 Shaftesbury Tenant Limited	Office space	United Kingdom	Ordinary 100%
131 Finsbury Pavement Tenant Limited	Office space	United Kingdom	Ordinary 100%
184 Shepherds Bush Road Tenant Limited	Office space	United Kingdom	Ordinary 100%

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

13 Investments in subsidiaries (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
207 Old Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
Corsham Tenant Limited	Office space	United Kingdom	Ordinary 100%
International Quarter Building Tenant Limited	Office space	United Kingdom	Ordinary 100%
No. 1 Spinningfields Tenant Limited	Office space	United Kingdom	Ordinary 100%
Premier Place Tenant Limited	Office space	United Kingdom	Ordinary 100%
Provost and East Tenant Limited	Office space	United Kingdom	Ordinary 100%
Puddle Dock Tenant Limited	Office space	United Kingdom	Ordinary 100%
Shoreditch the Bard Tenant Limited	Office space	United Kingdom	Ordinary 100%
Stamford Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
The Hewitt Shoreditch Tenant Limited	Office space	United Kingdom	Ordinary 100%
WW Aldgate Limited	Office space	United Kingdom	Ordinary 100%
WW Bishopsgate Limited	Office space	United Kingdom	Ordinary 100%
WW Devonshire Limited	Office space	United Kingdom	Ordinary 100%
WW Fox Court Limited	Office space	United Kingdom	Ordinary 100%
WW Medius Limited	Office space	United Kingdom	Ordinary 100%
WW Moor Place Limited	Office space	United Kingdom	Ordinary 100%
WW Sea Containers Limited	Office space	United Kingdom	Ordinary 100%

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

13 Investments in subsidiaries (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
<i>The Company incorporated the following subsidiaries during the year</i>			
1 Jermyn Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
1 Lloyd's Avenue Tenant Limited	Office space	United Kingdom	Ordinary 100%
1 Waterhouse Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
10 East Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
10 Fenchurch Avenue Tenant Limited	Office space	United Kingdom	Ordinary 100%
12 Moorgate Tenant Limited	Office space	United Kingdom	Ordinary 100%
21 Soho Square Tenant Limited	Office space	United Kingdom	Ordinary 100%
26 Hatton Garden Tenant Limited	Office space	United Kingdom	Ordinary 100%
41 Blackfriars Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
50-60 Station Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
70 Wilson Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
75 Mosley Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
77 Leadenhall Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
120 Fenchurch Street Tenant Limited	Office space	United Kingdom	Ordinary 100%
123 Buckingham Palace Road Tenant Limited	Office space	United Kingdom	Ordinary 100%
125 Deansgate Tenant Limited	Office space	United Kingdom	Ordinary 100%
Christchurch Court Tenant Limited	Office space	United Kingdom	Ordinary 100%
Corporation Street Tenant Limited	Office space	United Kingdom	Ordinary 100%

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

13 Investments in subsidiaries (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
Dalton Place Tenant Limited	Office space	United Kingdom	Ordinary 100%
Flatiron School UK Limited	Software programming education	United Kingdom	Ordinary 100%
Powered By We UK Limited	Design and development services	United Kingdom	Ordinary 100%
WeWork Community Workspace UK Limited	Holding company	United Kingdom	Ordinary 100%
WW Hanover House Operations Limited	Office space	United Kingdom	Ordinary 100%
LT Build Limited**	General contracting	United Kingdom	Ordinary 100%
naked Hub UK Limited**	Office space	United Kingdom	Ordinary 100%

** Subsidiaries acquired during the year.

The registered office address of each subsidiary disclosed above is: 1 Fetter Lane, London, EC4A 1BR.

The investments in subsidiaries are all stated at cost less provision for impairment.

14 Inventories

	2018	2017
	£	£
Leasehold improvements	1,157,453	-
Furniture and equipment	2,870,766	-
Computer equipment	99,211	-
	<u>4,127,430</u>	<u>-</u>

The amount of the write down of the inventories recognised as an expense in the year was £0 (2017: £0)

Inventories held by the Company will be allocated to subsidiaries for use in building operations.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

15 Trade and other receivables

	2018	2017
	£	£
Trade receivables	923,883	-
Amounts owed by group undertakings	102,318,524	54,508,266
Other receivables	1,340,690	257,464
Prepayments and accrued income	2,121,674	226,973
Social security and other taxes	1,986,414	900,437
	<u>108,691,185</u>	<u>55,893,140</u>

The amounts owed by group undertakings are unsecured, interest free and payable on demand.

	2018	2017
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	180,645,554	92,712,081
Prepayments and accrued income	144,329	-
	<u>180,789,883</u>	<u>92,712,081</u>

Amounts owed by group undertakings are unsecured and repayable within 2-5 years. An interest rate of 2.02% - 2.30% (2017: 1.985%) per annum was applicable during the year.

16 Trade and other payables

	2018	2017
	£	£
Amounts falling due within one year		
Trade payables	7,717,805	531,149
Amounts owed to group undertakings	80,585,834	51,670,980
Other payables	42,845	227
Accruals and deferred income	2,359,517	351,983
	<u>90,706,001</u>	<u>52,554,339</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17 Borrowings

	2018	2017
	£	£
Amounts falling due after more than one year		
Loan payable to group undertakings	<u>300,230,271</u>	<u>110,689,951</u>

Amounts owed by group undertakings are unsecured and repayable within 2-5 years. An interest rate of 2.02% - 2.30% (2017: interest rate of 1.99% - 2.72%) per annum was applicable during the year.

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

18 Called-up share capital

Authorised, allotted, called up and fully paid shares

	2018 No.	2018 £	2017 No.	2017 £
Ordinary shares of £0.01 each	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Reserves

The Company's other reserves are as follows:

Retained earnings

The retained earnings account represents cumulative profits or losses and other adjustments

Capital contribution reserve

The capital contribution reserve arises in connection with the equity settled share option scheme for employees. The amount in the reserve represents the fair value adjustment with the share options.

19 Events after the reporting date

On 1 April 2019, WW Worldwide CV, a company incorporated in the Netherlands and under common control of the Company's ultimate parent, transferred the ownership of its economic and beneficial rights in the intellectual property to the Company.

After the reporting date, WeWork International Limited has incorporated the following entities:

Name of subsidiary

1 Alie Street Tenant Limited
1 America Square Q Tenant Limited
1 Ariel Way Tenant Limited
1 Carlisle Place Tenant Limited
1 London Wall Q Tenant Limited
2 Minster Court Tenant Limited
3 Brook Green Tenant Limited
3 Herbal Hill Tenant Limited
3 Paris Garden Q Limited
5 Churchill Place Tenant Limited
5 Norwich Street Tenant Limited
6 Brindley Place Tenant Limited
6 Devonshire Square Tenant Limited
7-11 Lexington Street Tenant Limited
10 Wandsworth Road Tenant Limited

WeWork International Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

19 Events after the reporting date (continued)

Name of subsidiary

10-12 Russell Square Q Limited
13 Meard Street Tenant Limited
14 Bonhill Street Tenant Limited
17 St Helen's Place Tenant Limited
20 Cadogan Street Tenant Limited
22 Long Acre Tenant Limited
28-42 Banner Street Q Limited
30 Churchill Place Tenant Limited
37-63 Southampton Row Tenant Limited
40 Long Acre Q Limited
44 Newhall Street Tenant Limited
45 Robertson Street Tenant Limited
50 Bothwell Street Tenant Limited
52 Bedford Row Tenant Limited
55 Colmore Row Tenant Limited
60 London Wall Tenant Limited
60 Moorgate Tenant Limited
76 Moorgate Tenant Limited
76-78 Clerkenwell Road Tenant Limited
88 K Tenant Limited
91 Baker Street Tenant Limited
99 Q Victoria Street Tenant Limited
100 Brompton Road Q Limited
101 St Martin's Lane Tenant Limited
120 Old Broad St Q Limited
130 Wood Street Tenant Limited
133 Fleet Street Tenant Limited
133 Houndsditch Tenant Limited
142 Old Street Q Tenant Limited
142 Wardour Street Tenant Limited
165 Fleet Street Tenant Limited
ARK Capital Advisors UK Limited
Avonmore Road Tenant Limited
Lackington Street Tenant Limited
Quay Street Tenant Limited
The We Company Worldwide Limited
WeWork Space Services UK Limited

WeWork International Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

20 Controlling parties

The Company's immediate parent company is WeWork Companies (International) BV, a company incorporated in the Netherlands. The We Company is the smallest and largest group in which the result of the Company are consolidated. Copies of those statutory accounts are available from its registered office:

c/o Legalinx Limited
1 Fetter Lane
London
EC4A 1BR.

Following the reorganisation of WeWork Companies Inc, which occurred on 15 July 2019, the ultimate parent company and the largest group in which the results of the Company are consolidated is The We Company, a Delaware corporation registered in the USA.

WEWORK COMPANIES INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
WeWork Companies Inc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of WeWork Companies Inc (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive loss, changes in convertible preferred stock, noncontrolling interests and equity and cash flows for each of the three years in the period ended December 31, 2018 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2016-18 and ASU No. 2016-15

As discussed in Note 2 to the consolidated financial statements, the accompanying 2017 and 2016 consolidated financial statements have been retrospectively adjusted for the adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* and ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force).

Basis of 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 Public Company Accounting Oversight Board (United States) (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 and in accordance with auditing standards generally accepted in the United States of America. 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 fraud or error. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.
New York, NY
April 25, 2019

WEWORK COMPANIES INC. CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)	December 31,	
	2017	2018
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 2,020,805	\$ 1,744,209
Accounts receivable and accrued revenue, net of allowance of \$1,713 and \$4,562 in 2017 and 2018, respectively	35,582	99,525
Lease incentives receivable (including amounts due from related parties of \$10,336 and \$1,988 in 2017 and 2018, respectively)	117,779	232,243
Due from related parties	1,200	2,500
Other current assets (including loans to employees of \$1,790 and \$0 in 2017 and 2018, respectively)	251,730	385,601
Total current assets	2,427,096	2,464,078
Property and equipment, net	2,337,092	4,368,772
Restricted cash ⁽¹⁾	150,314	419,733
Deferred lease acquisition costs, net	31,031	69,387
Equity method and other investments	57,217	218,435
Goodwill	156,117	681,017
Intangible assets, net	84,519	159,143
Other assets (including loans to employees of \$2,000 and \$5,667 in 2017 and 2018, respectively)	120,686	264,351
Total assets ⁽¹⁾	\$ 5,364,072	\$ 8,644,916
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 314,267	\$ 826,396
Members' service retainers	195,081	396,857
Capital lease obligations, current portion	1,649	1,958
Loans payable to related parties	26,088	—
Deferred revenue (including amounts from related parties of \$20,702 and \$20,218 in 2017 and 2018, respectively)	48,849	113,237
Other current liabilities	64,653	270,640
Total current liabilities	650,587	1,609,088
Deferred rent (including amounts due to related parties of \$18,895 and \$49,140 in 2017 and 2018, respectively)	1,636,587	2,831,747
Long-term debt, net	—	748,814
Convertible related party liabilities, net	—	949,985
Capital lease obligations (including amounts due to related parties of \$34,629 and \$35,166 in 2017 and 2018, respectively)	50,764	50,785
Other liabilities	64,104	91,173
Deferred income taxes	4,469	2,567
Total liabilities ⁽¹⁾	2,406,511	6,284,159
Commitments and contingencies (Note 23)		
Convertible preferred stock; 187,847,306 shares authorized at December 31, 2018, and 170,300,623 and 171,757,571 shares issued and outstanding at December 31, 2017 and 2018, respectively	3,405,435	3,498,696
Redeemable noncontrolling interests	854,577	1,320,637

**WEWORK COMPANIES INC.
CONSOLIDATED BALANCE SHEETS—(CONTINUED)**

(Amounts in thousands, except share and per share amounts)	December 31,	
	2017	2018
Equity		
WeWork Companies Inc. shareholders' equity (deficit):		
Common stock Class A; par value \$0.001; 479,934,875 shares authorized at December 31, 2018, and 30,299,542 and 30,979,421 shares issued and outstanding at December 31, 2017 and 2018, respectively	30	31
Common stock Class B; par value \$0.001; 183,942,797 shares authorized at December 31, 2018, and 131,787,453 and 133,660,176 shares issued and outstanding at December 31, 2017 and 2018, respectively	132	134
Additional paid-in capital	407,804	797,963
Accumulated other comprehensive income (loss)	(9,924)	15,511
Accumulated deficit	(1,700,493)	(3,311,285)
Total WeWork Companies Inc. shareholders' equity (deficit)	(1,302,451)	(2,497,646)
Noncontrolling interests	—	39,070
Total equity (deficit)	(1,302,451)	(2,458,576)
Total liabilities and equity	\$ 5,364,072	\$ 8,644,916

- (1) The Company's consolidated balance sheets include assets of consolidated variable interest entities ("VIEs") and liabilities of the VIE for which creditors do not have recourse against the general credit of the Company. As of December 31, 2017 and 2018, total assets of consolidated VIEs, after intercompany eliminations, were \$935.8 million and \$2.1 billion, respectively, including \$727.3 million and \$826.0 million of cash and cash equivalents, respectively, and \$20.0 million and \$74.8 million of restricted cash, respectively. Total liabilities of consolidated VIEs were \$92.7 million and \$597.8 million as of December 31, 2017 and 2018, respectively. See Note 5 for additional details.

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except share and per share data)	Year Ended December 31,		
	2016	2017	2018
Revenue (includes amounts from related parties of \$216, \$365, and \$21,982 in 2016, 2017 and 2018, respectively. See Note 24)	\$ 436,099	\$ 886,004	\$ 1,821,751
Expenses:			
Location operating expenses—cost of revenue (exclusive of depreciation and amortization of \$84,092, \$154,075 and \$281,502, respectively, shown separately below)	433,167	814,782	1,521,129
Other operating expenses—cost of revenue (exclusive of depreciation and amortization of \$0, \$1,191 and \$12,632, respectively, shown separately below)	—	1,677	106,788
Pre-opening location expenses	115,749	131,324	357,831
Sales and marketing expenses	43,428	143,424	378,729
Growth and new market development expenses ⁽¹⁾	35,731	109,719	477,273
General and administrative expenses (includes stock-based compensation of \$17,367, \$260,662 and \$18,019 in 2016, 2017 and 2018, respectively)	115,346	454,020	357,486
Depreciation and amortization	88,952	162,892	313,514
Total expenses (includes amounts to related parties of \$4,677, \$7,363, and \$10,770 in 2016, 2017 and 2018, respectively. See Note 24)	832,373	1,817,838	3,512,750
Loss from operations	(396,274)	(931,834)	(1,690,999)
Interest and other income (expense), net:			
Income (loss) from equity method and other investments	(359)	(30,900)	(12,638)
Interest expense (includes amounts to related parties of \$3,177, \$3,093, and \$122,852 in 2016, 2017 and 2018, respectively. See Notes 13 and 24)	(12,351)	(15,459)	(183,697)
Interest income	2,477	9,531	37,663
Foreign currency gain (loss)	(23,167)	29,441	(78,598)
Total interest and other income (expense), net	(33,400)	(7,387)	(237,270)
Pre-tax loss	(429,674)	(939,221)	(1,928,269)
Income tax benefit (provision)	(16)	5,727	850
Net loss	(429,690)	(933,494)	(1,927,419)
Net loss attributable to noncontrolling interests:			
Redeemable noncontrolling interests—mezzanine	—	49,500	292,134
Noncontrolling interest—equity	—	—	24,493
Net loss attributable to WeWork Companies Inc	\$ (429,690)	\$ (883,994)	\$ (1,610,792)
Net loss per share attributable to Class A and Class B common stockholders (see Note 22):			
Basic	\$ (2.66)	\$ (5.54)	\$ (9.87)
Diluted	\$ (2.66)	\$ (5.54)	\$ (9.87)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders, basic and diluted	161,324,940	159,689,116	163,148,918
Pro forma net loss per share attributable to Class A and Class B common stockholders (see Note 22):			
Basic			\$ (4.41)
Diluted			\$ (4.41)
Weighted-average shares used to compute pro forma net loss per share attributable to Class A and Class B common stockholders, basic and diluted			338,368,587

(1) Includes cost of revenue associated with Powered by We in the amount of \$0, \$12.7 million and \$57.9 million in 2016, 2017 and 2018, respectively

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Net loss	\$ (429,690)	\$ (933,494)	\$ (1,927,419)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax of \$0 in 2016, 2017, and 2018	9,463	(18,695)	7,666
Other comprehensive income (loss), net of tax	9,463	(18,695)	7,666
Comprehensive loss	(420,227)	(952,189)	(1,919,753)
Net (income) loss attributable to noncontrolling interests	—	49,500	316,627
Other comprehensive (income) loss attributable to noncontrolling interests	—	766	18,931
Comprehensive loss attributable to WeWork Companies Inc.	<u>\$ (420,227)</u>	<u>\$ (901,923)</u>	<u>\$ (1,584,195)</u>

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK, NONCONTROLLING INTERESTS, AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands, except share amounts)	Convertible Preferred Stock		Redeemable Noncontrolling Interests	
	Shares	Amount	Shares	Amount
Balance—December 31, 2015	123,142,901	\$ 1,002,388	\$	—
Issuance of Series F Preferred Stock and associated warrants	13,759,327	675,913	—	—
Balance—December 31, 2016	136,902,228	\$ 1,678,301	\$	—

(Amounts in thousands, except share amounts)	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Noncontrolling Interests		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Deficit	—	—	—	
Balance—December 31, 2015	7,587,640	\$ 8	157,626,552	\$ 158	50,087	\$	(1,458)	\$ (386,809)	\$	—	\$ (338,014)
Issuance of Series F Preferred Stock and associated warrants	—	—	—	—	3,988	—	—	—	—	—	3,988
Issuance of stock for services rendered	44,665	—	—	—	1,594	—	—	—	—	—	1,594
Stock-based compensation	568,777	—	1,155,718	1	23,201	—	—	—	—	—	23,202
Exercise of stock options	3,830	—	233,644	—	370	—	—	—	—	—	370
Common share repurchase and retirement	—	—	(8,398,670)	(8)	6,382	—	—	—	—	—	6,374
Issuance of common stock for equity method investment	22,852	—	—	—	1,147	—	—	—	—	—	1,147
Net loss	—	—	—	—	—	—	—	(429,690)	—	—	(429,690)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	—	—	—
							9,463	—	—	—	9,463
Balance—December 31, 2016	8,227,764	\$ 8	150,617,244	\$ 151	\$86,769	\$	8,005	\$ (816,499)	\$	—	\$ (721,566)

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK, NONCONTROLLING INTERESTS, AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts in thousands, except share amounts)	Convertible Preferred Stock		Redeemable Noncontrolling Interests	
	Shares	Amount	Shares	Amount
Balance—December 31, 2016	136,902,228	\$ 1,678,301	\$ —	—
Issuance of Series G Preferred Stock	32,812,199	1,714,242	—	—
Conversion of convertible note	334,228	—	—	—
Issuance of stock for services rendered	—	—	4,840	—
Contributions by noncontrolling interests	—	—	900,003	—
Issuance of stock in connection with acquisitions	251,968	12,892	—	—
Net loss	—	—	(49,500)	—
Other comprehensive income (loss), net of tax	—	—	(766)	—
Balance—December 31, 2017	170,300,623	\$ 3,405,435	\$ 854,577	—

(Amounts in thousands, except share amounts)	WeWork Companies, Inc. Shareholders' Equity (Deficit)									
	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance—December 31, 2016	8,227,764	\$ 8	150,617,244	\$ 151	\$ 86,769	\$ 8,005	\$ (816,499)	\$ —	\$ (721,566)	—
Transfer of Common Stock Class B to Class A	21,119,429	21	(21,119,429)	(21)	—	—	—	—	—	—
Issuance of stock for services rendered	36,018	—	—	—	3,415	—	—	—	—	3,415
Stock-based compensation	310,153	1	150,700	—	297,869	—	—	—	—	297,870
Exercise of stock options	368,070	—	1,373,984	1	8,675	—	—	—	—	8,676
Exercise of warrants	—	—	764,954	1	601	—	—	—	—	602
Issuance of stock in connection with acquisitions	238,108	—	—	—	10,475	—	—	—	—	10,475
Net loss	—	—	—	—	—	—	—	(883,994)	—	(883,994)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(17,929)	—	—	(17,929)
Balance—December 31, 2017	30,299,542	\$ 30	131,787,453	\$ 132	\$ 407,804	\$ (9,924)	\$ (1,700,493)	\$ —	\$ (1,302,451)	—

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK, NONCONTROLLING INTERESTS, AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in thousands, except share amounts)	Convertible Preferred Stock		Redeemable Noncontrolling Interests	
	Shares	Amount	Shares	Amount
Balance—December 31, 2017	170,300,623	\$ 3,405,435	—	\$ 854,577
Issuance of noncontrolling interests	—	—	—	720,513
Issuance of stock for services rendered	—	—	—	1,798
Issuance of stock in connection with acquisitions	1,456,948	93,261	—	55,105
Net loss	—	—	—	(292,134)
Other comprehensive income (loss), net of tax	—	—	—	(19,222)
Balance—December 31, 2018	171,757,571	\$ 3,498,696	—	\$ 1,320,637

WeWork Companies, Inc. Shareholders' Equity (Deficit)						
(Amounts in thousands, except share amounts)	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	
	Shares	Amount	Shares	Amount	Amount	Amount
Balance—December 31, 2017	30,299,542	\$ 30	131,787,453	\$ 132	\$ 407,804	\$ (9,924)
Transfer of Common Stock Class B to Class A	18,182	—	(18,182)	—	—	—
Issuance of stock for services rendered	62,351	—	—	—	15,663	—
Stock-based compensation	419,217	1	74,538	—	85,657	—
Exercise of stock options	114,614	—	443,513	—	2,934	—
Exercise of warrants	—	—	1,577,434	2	569	—
Issuance of stock in connection with acquisitions	65,515	—	—	—	119,530	1,098
Issuance of stockholder notes receivable (see Note 21)	—	—	—	—	(19,599)	—
Issuance of noncontrolling interests	—	—	—	—	24,666	(2,260)
Transactions with principal shareholder (see Note 13)	—	—	—	—	169,961	—
Gain on transfer to consolidated variable interest entity	—	—	—	—	1,217	—
Common share repurchase and retirement	—	—	(204,580)	—	(10,439)	—
Net loss	—	—	—	—	—	(1,610,792)
Other comprehensive income (loss), net of tax	—	—	—	—	—	291
Balance—December 31, 2018	30,979,421	\$ 31	133,660,176	\$ 134	\$ 797,963	\$ 15,511
						\$ (3,311,285)
						\$ 39,070
						\$ (2,458,576)

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Cash Flows from Operating Activities:			
Net loss	\$ (429,690)	\$ (933,494)	\$ (1,927,419)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	88,952	162,892	313,514
Impairment of property and equipment	—	6,797	29,572
Stock-based compensation expense	22,660	295,362	69,400
Cash paid to settle employee stock awards	—	—	(13,939)
Issuance of common stock for services rendered	1,594	7,327	18,957
Noncash interest expense	2,436	3,673	127,716
Provision for allowance for doubtful accounts	2,317	4,546	6,722
(Income) loss from equity method and other investments	359	30,900	12,638
Foreign currency (gain) loss	23,415	(29,419)	80,587
Contingent consideration fair market value adjustment	—	—	76,439
Changes in operating assets and liabilities:			
Accounts receivable and accrued revenue	(13,877)	(22,052)	(69,403)
Lease incentives receivable	46,234	(64,948)	(121,734)
Deferred lease acquisition costs	(7,630)	(18,258)	(40,352)
Other assets	(29,534)	(88,467)	(211,690)
Accounts payable and accrued expenses	12,862	96,360	147,627
Deferred rent	451,344	752,063	1,278,348
Deferred revenue	5,505	35,348	54,782
Other liabilities	(42)	13,391	1,618
Deferred income taxes	—	(8,029)	(10,112)
Net cash provided by (used in) operating activities	176,905	243,992	(176,729)
Cash Flows from Investing Activities:			
Purchases of property and equipment	(776,074)	(1,023,953)	(2,055,020)
Capitalized software	(2,317)	(8,393)	(8,891)
Sale of software license	—	—	9,000
Change in security deposits with landlords	(9,578)	(67,124)	(95,463)
Proceeds from sale or redemption of investments	—	12,800	2,202
Contributions to investments	(19,703)	(56,483)	(121,626)
Loans to employees and related parties	(10,273)	9,796	(1,859)
Cash used for acquisitions	(580)	(243,410)	(204,141)
Net cash used in investing activities	(818,525)	(1,376,767)	(2,475,798)

WEWORK COMPANIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS—(CONTINUED)

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Cash Flows from Financing Activities:			
Principal payments for property and equipment acquired under capital leases	(1,116)	(1,350)	(1,869)
Proceeds from issuance of debt	—	—	768,795
Proceeds from issuance of convertible related party liabilities	—	—	1,000,000
Repayments of debt	—	—	(1,085)
Debt and equity issuance costs	(1,306)	(3,568)	(23,227)
Loans payable to related parties	—	26,088	(27,552)
Proceeds from sale of Series F Preferred Stock and associated warrants	679,901	—	—
Proceeds from sale of Series G Preferred Stock	—	1,697,761	—
Proceeds from exercise of stock options and warrants	1,228	8,939	3,505
Proceeds from issuance of noncontrolling interests	—	900,003	747,907
Payments for contingent consideration and holdback of acquisition proceeds	—	—	(14,436)
Change in members' service retainers	49,201	96,442	206,431
Net cash provided by financing activities	727,908	2,724,315	2,658,469
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(2,261)	(763)	(13,119)
Net increase (decrease) in cash, cash equivalents, and restricted cash	84,027	1,590,777	(7,177)
Cash, cash equivalents, and restricted cash—Beginning of period ..	496,315	580,342	2,171,119
Cash, cash equivalents, and restricted cash—End of period	<u>\$ 580,342</u>	<u>\$ 2,171,119</u>	<u>\$ 2,163,942</u>

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Supplemental Cash Flow Disclosures:			
Cash paid during the period for interest	\$ 4,656	\$ 6,685	\$ 41,326
Cash paid during the period for income taxes, net of refunds	8	11	4,376
Cash received for tenant improvement allowances	325,294	452,090	673,415
Supplemental Disclosure of Non-cash Investing & Financing Activities:			
Property and equipment included in accounts payable and accrued expenses	76,740	174,747	485,037
Issuance of common and preferred shares for acquisitions	—	23,367	274,118
Acquisition consideration holdback included in other liabilities	—	22,189	43,156
Issuance of common shares for equity method and other investments ..	1,147	—	—
Issuance of shares for goods received capitalized in property and equipment	—	901	1,087
Transfer of acquisition deposit to contribution to equity method investment ..	—	—	52,858
Net loss on issuance of Series G Preferred Stock	—	16,481	—
Vesting of shares related to early exercise of stock options	573	210	105
Common share repurchase and retirement	6,374	454	289

The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported within the accompanying consolidated balance sheets to the total of the same amounts as reported in the accompanying consolidated statements of cash flows.

(Amounts in thousands)	December 31,		
	2016	2017	2018
Cash and cash equivalents	\$ 506,597	\$ 2,020,805	\$ 1,744,209
Restricted cash	73,745	150,314	419,733
Cash, cash equivalents, and restricted cash	<u>\$ 580,342</u>	<u>\$ 2,171,119</u>	<u>\$ 2,163,942</u>

The accompanying notes are an integral part of these consolidated financial statements.

WEWORK COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1. Organization and Business

WeWork Companies Inc. ("WeWork", "The We Company", or the "Company") was founded in 2010. Our global platform provides members with flexible access to spaces, powered by a culture of inclusivity, the energy of a global and diverse community and the connectivity of a broad technology infrastructure. Our members can choose among a variety of workplace solutions, including standard solutions that provide move-in ready private office and shared workspace options, configured workplace solutions that provide private floors or whole offices configured to member needs, and on-demand solutions that provide access to workstations as needed by the hour, day or month. We also provide our members with access to services from us, third parties and our partners, enabling our members to work, live and grow more successfully.

The Company's operations are headquartered in New York.

All references to "we", "us", "our", "WeWork", "The We Company", and the "Company" are references to WeWork Companies Inc. and its subsidiaries on a consolidated basis.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation—The accompanying consolidated financial statements and notes to the consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and include the accounts of the Company, its majority-owned subsidiaries, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

The Company is required to consolidate entities deemed to be VIEs in which the Company is the primary beneficiary. The Company is considered to be the primary beneficiary of a VIE when the Company has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE.

The Creator Fund, WeWork Waller Creek, ChinaCo, JapanCo, and PacificCo (each as defined and discussed in Note 5) are the Company's only consolidated VIEs as of December 31, 2017 and 2018. The Company had no consolidated VIEs as of December 31, 2016. See Note 9 for discussion of the Company's non-consolidated VIEs.

A noncontrolling interest in a consolidated subsidiary represents the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. Noncontrolling interests are presented as a separate component of equity in the consolidated balance sheets and the presentation of net income is modified to present earnings and other comprehensive income attributed to controlling and noncontrolling interests.

The Company's convertible preferred stock and noncontrolling interests that are redeemable upon the occurrence of an event that is not solely within the control of the Company are classified outside of permanent equity. As it is not probable that amounts will become redeemable, no remeasurement is required. The Company will continue to monitor the probability of redemption.

The Company's noncontrolling interests represent substantive profit-sharing arrangements and profits and losses are attributed to the controlling and noncontrolling interests using the hypothetical-liquidation-at-book-value method.

Use of Estimates—The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents consist of highly liquid marketable securities with original maturities of three months or less at the time of purchase. Cash equivalents are presented at cost, which approximates fair value.

WEWORK COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Restricted Cash—Restricted cash consists primarily of amounts provided to banks to secure letters of credit issued under the Company's amended and restated credit agreements as required by various leases.

Allowance for Doubtful Accounts—Management determines an allowance that reflects its best estimate of the accounts receivable due from members, related parties, landlords, and others that will not be collected. Management considers many factors in considering its reserve with respect to these accounts receivable, including historical data, experience, creditworthiness, and income trends. Recorded liabilities associated with members' service retainers are also considered when estimating the allowance for doubtful accounts as we have the contractual right to apply members' service retainers to outstanding receivables.

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. As of December 31, 2017 and 2018, the Company recorded \$1.7 million and \$4.6 million, respectively, as an allowance for doubtful accounts.

Lease Incentives Receivable—Lease incentives receivable primarily represent amounts paid by the Company for completed leasehold improvements that are reimbursable pursuant to lease provisions with relevant landlords and receivables for broker commissions earned for negotiating certain of the Company's leases

Property and Equipment—Property and equipment are recorded at cost less accumulated depreciation. A variety of costs are incurred in the construction of leasehold improvements including development costs, construction costs, salaries and related costs, and other costs incurred during the period of development. After a determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. The Company capitalizes costs until a project is substantially completed and occupied, or held available for occupancy, and capitalizes only those costs associated with the portions under development. Subsequent expenditures that extend the useful life of an asset are also capitalized. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvements or the remaining term of the lease using the straight-line method. Furniture and equipment are depreciated over three to twenty years also using the straight-line method. Costs associated with repairs and maintenance of property and equipment that do not extend the normal useful life of an asset are expensed as incurred and amounted to \$4.4 million, \$10.7 million, and \$25.0 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Business Combination—We include the financial results of businesses that we acquire from the date of acquisition. We determine the fair value of assets acquired and liabilities assumed based on their estimated fair values as of the respective date of acquisition. The excess purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

Transaction costs associated with business combinations are expensed as incurred, and are included in growth and new market development expenses in our consolidated statements of operations.

Goodwill—Goodwill represents the excess of the purchase price of an acquired business over the fair value of the assets acquired less liabilities assumed in connection with the acquisition. Goodwill is not amortized, but instead is tested for impairment at least annually at each reporting unit level, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired, and is required to be written down when impaired.

The guidance for goodwill impairment testing begins with an optional qualitative assessment to determine whether it is more likely than not that goodwill is impaired. The Company is not required to perform a quantitative impairment test unless it is determined, based on the results of the qualitative assessment, that it is more likely than not that goodwill is

WEWORK COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

impaired. The quantitative impairment test is prepared at the reporting unit level. In performing the impairment test, management compares the estimated fair values of the applicable reporting units to their aggregate carrying values, including goodwill. If the carrying amounts of a reporting unit including goodwill were to exceed the fair value of the reporting unit, an impairment loss is recognized within our consolidated statements of operations in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The process of evaluating goodwill for impairment requires judgments and assumptions to be made to determine the fair value of the reporting unit, including discounted cash flow calculations, assumptions market participants would make in valuing each reporting unit and the level of the Company's own share price.

Intangible Assets, net—The Company capitalizes purchased software and computer software development costs for internal use when the amounts have a useful life or contractual term greater than twelve months. Purchased software consists of software products and licenses which are amortized over the lesser of their estimated useful life or the contractual term. Internally developed software costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external direct costs of the development are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of substantially all testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable that the expenditure will result in additional functionality. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years. Maintenance and training costs are expensed as incurred.

Acquired intangible assets are carried at cost and finite-lived intangible asset are amortized on a straight-line basis over their estimated useful lives. We determine the appropriate useful life of our intangible assets by measuring the *expected cash flows of acquired assets*. *The useful life of the Company's finite-lived intangible assets range from one to ten years*

The Company tests goodwill and indefinite-lived intangible asset balances for impairment annually in the fourth quarter of each year as of October 1, or more frequently if circumstances indicate that the value of goodwill may be impaired. Management has concluded there was no goodwill or indefinite-lived intangible asset impairment during the years ended December 31, 2016, 2017 and 2018.

Impairment of Long-Lived Assets—Long-lived assets, including property and equipment, capitalized software, and other finite-lived intangible assets, are evaluated for recoverability when events or changes in circumstances indicate that the asset may have been impaired. In evaluating an asset for recoverability, the Company considers the future cash flows expected to result from the continued use of the asset and the eventual disposition of the asset. If the sum of the expected future cash flows, on an undiscounted basis, is less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value of the asset is recognized. During the years ended December 31, 2017 and 2018, the Company recorded \$6.8 million and \$29.6 million, respectively, in impairment charges and property and equipment write-offs relating to excess, obsolete, or slow-moving inventory of furniture and equipment, early termination of leases and dead deals. The impairment expense is included as a component of growth and new market development expenses in the accompanying consolidated statements of operations. There were no impairment charges recognized for the year ended December 31, 2016.

Deferred Financing Costs—Deferred financing costs consist of fees and costs incurred to obtain financing. Such costs are capitalized and amortized as interest expense using the effective interest method, over the term of the related loan. As of December 31, 2016, 2017, and 2018, the Company recorded \$3.8 million, \$6.2 million and \$10.7 million, respectively, of deferred financing costs, net of accumulated amortization, in other assets in the accompanying consolidated balance sheets related to the Company's credit agreements (see Note 23). As of December 31, 2018, the Company has also recorded \$16.2 million of unamortized deferred financing costs as a reduction to the long-term debt, net discussed in Note 12. For the years ended December 31, 2016, 2017 and 2018, the Company recognized \$0.8 million, \$1.2 million and \$3.2 million, respectively, in interest expense, relating to the amortization of deferred financing costs.

WEWORK COMPANIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Members' Service Retainers—Prior to moving into an office, members are generally required to provide the Company with a service retainer as detailed in their membership agreement. In the event of non-payment of membership or other fees by a member, pursuant to the terms of the membership agreements, the amount of the service retainer may be applied against the member's unpaid balance.

Leases and Deferred Rent Liabilities—The Company leases property for its collaborative workspaces and other locations. At the inception of each lease, management determines its classification as an operating or capital lease. For leases that qualify as operating leases, the Company recognizes the associated rent expense on a straight-line basis over the term of the lease beginning on the date of initial possession, which is generally when the Company enters the leased premises and begins to make improvements in preparation for its intended use.

A large majority of the lease agreements contain provisions for free rent periods, rent escalation, tenant improvement allowances, brokerage commissions received by the Company for negotiating the Company's leases, and/or contingent rent.

The Company expends cash for leasehold improvements and to build out and equip its leased locations. Generally, a portion of the cost of leasehold improvements is reimbursed to us by our landlords as a tenant improvement allowance. The Company may also receive a broker commission for negotiating certain of the Company's leases. When contractually due to us, these amounts are recorded as a lease incentive receivable and an increase in the deferred rent liability on the consolidated balance sheets and then the deferred rent liability established is amortized on a straight-line basis over the lease term as a reduction to rent expense. The lease incentive receivable is reduced when the cash has been collected from the landlord.

Free rent periods and rent escalation clauses are also recorded on a straight-line basis over the lease term. In the initial years of a lease term that includes a free rent period and rent escalation clauses, cash payments are generally less than the rent expense recorded on a straight-line basis and the difference is recorded as an increase to the deferred rent liability on the consolidated balance sheets. In the later years of a lease term that includes a free rent period and rent escalation clauses, cash rental payments are generally higher than the amount of expense recognized on a straight-line basis and the deferred rent liability established in the earlier years of the lease term will amortize down to zero at the end of the lease. As a result, the portion of the unamortized balance of the deferred rent liability related to free rent periods and rent escalation clauses represents a future obligation to expend cash. The current portion of the deferred rent liability, that represents the net decrease in the deferred rent liability over the next twelve months, relating to the scheduled amortization of the tenant improvement allowances and broker commissions received and the amortization of the straight-line impact of free rent periods and rent escalations, is included as a component of other current liabilities on the accompanying consolidated balance sheets.

Certain leases provide for contingent rent, determined in whole or in part, based on attainment of certain performance metrics. Once the achievement of the relevant thresholds are deemed to be probable and the contingent rent is estimable, contingent rent is accrued in proportion to the relevant performance during the period. Contingent rent reported in rent expense was \$3.7 million, \$7.7 million and \$22.7 million for the years ended December 31, 2016, 2017 and 2018, respectively.

All rent expense incurred before a workspace location opens for business is recorded in pre-opening location expenses on the accompanying consolidated statements of operations. Once a location opens for business to its members, the location's rent expense is included in location operating expenses on the accompanying consolidated statements of operations.

In addition, most leases require payment of real estate taxes, insurance, and certain common area maintenance costs in addition to minimum rent payments. These amounts are also included in location operating expenses or pre-opening location expenses on the accompanying consolidated statement of operations based on the status of the respective workspace location.

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Costs to acquire leases are capitalized and recorded as deferred lease acquisition costs in the accompanying consolidated balance sheets. These amounts are amortized on a straight-line basis over the term of the lease as an increase to depreciation and amortization expense on the accompanying consolidated statements of operations.

For leases that qualify as capital leases, the related assets and lease obligation are initially measured at the lower of estimated fair value or present value of the minimum lease payments. The present value of minimum lease payments is calculated for payments during the lease term using the lower of the Company's estimated incremental borrowing rate or the rate implicit in the lease, if known. Payments are allocated between a reduction of the lease obligation and interest expense using the effective interest method. Assets related to capital lease obligations are recorded in property and equipment as capital lease assets. Assets under capital leases are depreciated over the shorter of the estimated useful life or the lease term and the expense is included as a component of depreciation and amortization expense on the accompanying consolidated statements of operations.

Asset Retirement Obligations—Certain lease agreements contain provisions that require the Company to remove leasehold improvements at the end of the lease term. When such an obligation exists, the Company records an asset retirement obligation at the inception of the lease at its estimated fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the leasehold improvements and depreciated over their useful life. The asset retirement obligation is accreted to its estimated future value as interest expense using the effective-interest rate method.

Income Taxes—The Company accounts for income taxes under the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using 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 tax assets and liabilities of a change in tax rates is recognized in income in the period the tax rates are enacted. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which future realization is uncertain.

Revenue Recognition—The Company provides memberships to individuals and companies that affords these individuals and companies access to office space, use of a shared internet connection, access to certain facilities (kitchen, common areas, etc.), a monthly allowance of conference room hours and prints/copies, and access to the WeWork mobile application. The price of each membership is variable, based on the particular characteristics of the office space occupied by the member, the geographic location of the workspace, and the amount of desk space per office.

Membership revenue consists primarily of fees from members, net of discounts, and is recognized monthly, on a ratable basis, over the life of the agreement, as access to office space is provided. All services included in a monthly membership allowance that remain unused at the end of a given month expire. Service revenue consists primarily of additional billings to members for the ancillary services they may access through their memberships, in excess of the monthly allowances included in membership revenue, commissions earned by the Company on various services and benefits provided to our members and management fee income for the services provided to unconsolidated locations in India. Service revenue is recognized on a monthly basis as the services are provided. Other revenue includes income generated from sponsorships and ticket sales from WeWork branded events and is recognized upon the occurrence of the event. Other revenue also includes other management and advisory fees earned, design fees earned, and revenue generated from various We Company offerings. The Company recognizes revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement, (2) services have been provided; (3) the collection of fees is reasonably assured; and (4) the amount of fees to be paid is fixed or determinable.

The Company recognizes revenue from design and development services performed in conjunction with design and construction contracts using the percentage-of-completion method based primarily on contract cost incurred to date.

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compared to total estimated contract cost. Contracts are generally segmented between types of services, such as design and construction, and accordingly, revenues related to each activity is recognized as those separate services are rendered. Changes to total estimated contract cost or losses, if any, are recognized in the period in which they are determined. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the client. Revenue recognized in excess of amounts billed is classified as accrued revenue on the accompanying balance sheets. Amounts billed to clients in excess of revenue recognized to date are classified as other current liabilities. The Company anticipates that substantially all incurred costs associated with contract work in progress as of December 31, 2018 will be billed and collected in 2019. Revenues recognized in conjunction with our Powered by We solutions are included within other revenue in the following table.

Taxes collected from members and remitted to governmental authorities are presented on a net basis.

The components of revenue are as follows:

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Membership and service revenue	\$ 434,355	\$ 866,898	\$ 1,697,336
Other revenue	1,744	19,106	124,415
Total revenue	<u>\$ 436,099</u>	<u>\$ 886,004</u>	<u>\$ 1,821,751</u>

Location Operating Expenses—Location operating expenses are expensed as incurred and relate only to WeWork and WeLive locations that are open for member operations. The primary components of location operating expenses are rent expense, tenancy costs including the Company's share of real estate and related taxes and common area maintenance charges, personnel and related expenses, stock-based compensation expense, building operational costs such as utilities, maintenance, and cleaning, insurance costs, office expenses such as telephone, internet, and printing costs, security expenses, credit card processing fees, food and other consumables, and other costs of operating our collaborative workspace locations. Employee compensation costs included in location operating expenses relate to the salaries, bonuses and benefits relating to the teams managing our community location on a daily basis, including member relations, new member sales and member retention, and facilities management, as well as costs for corporate functions that directly support the operations of our locations, such as personnel costs associated with the Company's billings, collections, purchasing, and accounts payable functions. Sales incentive bonuses are also paid to employees as a means of compensating the community team members responsible for location level sales and member retention efforts.

Other Operating Expenses—Other operating expenses are expensed as incurred and primarily relate to costs of operating and providing products and services by mature We Company offerings. For the year ended December 31, 2017 and 2018, this included the costs of operating and providing products and services by Meetup, Inc., Flatiron School, Inc. and Conductor, Inc. in the period subsequent to their acquisition as described in Note 6.

Pre-opening Location Expenses—Pre-opening location expenses are expensed as incurred and consist of expenses incurred before a WeWork collaborative workspace location opens for member operations. The primary components of pre-opening location expenses are rent expense, the Company's share of real estate and related taxes, common area maintenance charges, utilities, cleaning, personnel and related expenses, and other costs of opening our locations.

Sales and Marketing—Sales and marketing expenses are expensed as incurred and consist primarily of advertising costs, personnel and related expenses and stock-based compensation expense related to our sales, marketing, branding, public affairs, and events teams, member referral fees, and costs associated with strategic marketing events. During the years ended December 31, 2016, 2017 and 2018, the Company recorded \$14.8 million, \$40.9 million and \$91.2 million, respectively, of advertising expenses.

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Growth and New Market Development Expenses—Growth and new market development expenses are expensed as incurred and consist primarily of non-capitalized design, development, warehousing, logistics and real estate costs, expenses incurred researching and pursuing new markets, solutions and services, and other expenses related to the Company's growth and global expansion. These costs include non-capitalized personnel and related expenses for our development, design, product, research, real estate, talent acquisition, mergers and acquisitions, legal, and technology research and development teams and related professional fees and other expenses incurred such as recruiting fees, employee relocation costs, due diligence, integration costs, transaction costs, contingent consideration fair value adjustments relating to acquisitions, and other asset impairments and write-offs.

Growth and new market development expenses also include cost of goods sold in connection with our Powered by We solutions and costs of providing products and services by We Company offerings that are not yet mature and which are not included in other operating expenses above

General and Administrative Expenses—General and administrative expenses are expensed as incurred and consist primarily of personnel and related expenses and stock-based compensation expense related to corporate employees, technology, consulting, legal and other professional services expenses, lease costs for our corporate offices, and various other costs we incur to manage and support our business.

Stock-Based Compensation—Stock-based compensation expense attributable to equity awards granted to employees is measured at the grant date based on the fair value of the award and is recognized on a straight-line basis over the requisite service period for awards that actually vest, which is generally the period from the grant date to the end of the vesting period. Stock-based awards provided to non-employees are measured and expensed as the services are provided. Unvested stock-based awards provided to non-employees are remeasured each reporting period

The Company estimates the fair value of stock option awards granted using the Black-Scholes-Merton option-pricing formula (the "Black-Scholes Model") and a single option award approach. This model requires various significant judgmental assumptions in order to derive a final fair value determination for each type of award, including the expected term, expected volatility, expected dividend yield, risk-free interest rate, and fair value of the Company's stock on the date of grant. The expected option term for options granted is calculated using the "simplified method." This election was made based on the lack of sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The simplified method defines the expected term as the average of the contractual term and the vesting period. Estimated volatility is based on similar entities whose stock prices are publicly traded. The Company uses the historical volatilities of similar entities due to the lack of sufficient historical data for the Company's common stock price. Dividend yields are based on the Company's history and expected future actions. The risk-free interest rate is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the stock option award was granted with a maturity equal to the expected term of the stock option award. All grants of stock options have an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant.

Because the Company is privately held and there is no public market for our stock, the fair value of the Company's equity is approved by the Company's Board of Directors or the Compensation Committee thereof at the time stock-based awards are granted. In estimating the fair value of our stock, the Company uses the assistance of a third-party valuation specialist and considers factors it believes are material to the valuation process, including but not limited to, the price at which recent equity was issued by the Company or transacted between third parties, actual and projected financial results, risks, prospects, economic and market conditions, and estimates of weighted average cost of capital. The Company believes the combination of these factors provides an appropriate estimate of the expected fair value of the Company and reflects the best estimate of the fair value of the Company's common stock at each grant date.

The Company has elected to recognize forfeitures of stock-based compensation awards as they occur. Recognition of any compensation expense relating to stock grants that vest contingent on an initial public offering or "Acquisition" (as defined in the 2015 Plan detailed in Note 21) will be deferred until consummation of such initial public offering or Acquisition.

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Equity Method and Other Investments—The Company accounts for equity investments under the equity method of accounting when the requirements for consolidation are not met, and the Company has significant influence over the operations of the investee. When the requirements for consolidation and significant influence are not met, the Company also uses the equity method of accounting to account for investments in limited partnerships and investments in limited liability companies that maintain specific ownership accounts unless the Company's interest is so minor that the Company has virtually no influence over partnership operating and financial policies. Equity method investments are initially recorded at cost and subsequently adjusted for the Company's share of net income or loss and cash contributions and distributions and are included in equity method and other investments in the accompanying consolidated balance sheets. Equity investments that do not result in consolidation and are not accounted for under the equity method are measured at fair value, with any changes in fair value recognized in net income. For any such investments that do not have readily determinable fair values, the Company elects the measurement alternative to measure the investments at cost minus 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.

Equity method investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that a loss in value of the equity method investment is other than temporary, an impairment loss is measured based on the excess of the carrying amount of an investment over its estimated fair value. Impairment analyses are based on current plans, intended holding periods, and available information at the time the analysis is prepared.

Certain of the Company's investments in convertible notes are designated as available-for-sale debt securities and remeasured at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income (loss). Interest income is accrued and reported within interest income on the consolidated statements of operations.

When the fair value of an available-for-sale security is less than its amortized cost, the security is considered impaired. On a quarterly basis, the Company evaluates its securities for other-than-temporary impairment ("OTTI"). If the Company intends to sell an impaired security, or it is more-likely-than-not that the Company will be required to sell an impaired security before its anticipated recovery, then the Company must recognize an OTTI through a charge to earnings equal to the entire difference between the investment's amortized cost and its fair value at the measurement date. If the Company does not intend to sell an impaired security and it is not more-likely-than-not that it would be required to sell an impaired security before recovery, the Company must further evaluate the security for impairment due to credit losses. The credit component of OTTI is recognized in earnings and the remaining component is recorded as a component of other comprehensive income. Following the recognition of an OTTI through earnings, a new amortized cost basis is established for the security. Subsequent differences between the new amortized cost basis and cash flows expected to be collected are accreted into income over the remaining life of the security as an adjustment to yield.

Foreign Currency—The U.S. dollar is the functional currency of the Company's consolidated and unconsolidated entities operating in the United States. For the Company's consolidated and unconsolidated entities operating outside of the United States, the Company generally assigns the relevant local currency as the functional currency as the local currency is generally the principal currency of the economic environment in which the foreign entity primarily generates and expends cash. The Company remeasures monetary assets and liabilities that are not denominated in the functional currency at exchange rates in effect at the end of each period. Gains and losses from these remeasurements are recognized in foreign currency gain (loss) on the accompanying consolidated statement of operations. Foreign currency transactions resulted in net gains (losses) of \$(23.2) million, \$29.4 million and \$(78.6) million, for the years ended December 31, 2016, 2017 and 2018, respectively, and relate primarily to intercompany transactions that are not of a long-term investment nature. At each balance sheet reporting date, the Company translates the assets and liabilities of its non-U.S. dollar functional currency entities into U.S. dollars using exchange rates in effect at the end of each period. Revenues and expenses for these entities are translated using rates that

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approximate those in effect during the period. Gains and losses from these translations are reported within accumulated other comprehensive income (loss) as a component of equity.

Fair Value Measurements—The Company applies fair value accounting for all financial assets and liabilities and certain non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Assets and liabilities measured at fair value every reporting period include investments in cash equivalents, available-for-sale debt securities, certain embedded derivatives requiring bifurcation, and contingent consideration liabilities relating to business combinations. Other assets and liabilities are subject to fair value measurements only in certain circumstances, including purchase accounting applied to assets and liabilities acquired in a business combination, impaired cost and equity method investments and long-lived assets that are written down to fair value when they are impaired.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company assumes the highest and best use of non-financial assets by market participants and the market-based risk measurements or assumptions that market participants would use in pricing assets or liabilities, such as inherent risk, transfer restrictions, and credit risk. Assets and liabilities are classified using a fair value hierarchy, which prioritizes the inputs used to measure fair value according to three levels, and bases the categorization of fair value measurements within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs that reflect quoted prices for identical assets or liabilities in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the assets or liabilities, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3—Unobservable inputs that the Company incorporates in its valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The valuation techniques used to measure the fair value of money market funds were derived from quoted market prices for identical instruments in active markets. The estimated fair value of the Company's investment in convertible notes, included in equity method and other investments in the accompanying consolidated balance sheets as of December 31, 2018, was estimated by discounting future anticipated cash flows using a discount rate which reflects the current interest rate at which a similar note with the same terms and maturities would be made to borrowers with similar credit ratings. See Note 13 for a discussion of the method for determining the estimated fair value of the embedded derivative associated with the Company's convertible related party liabilities.

Contingent Consideration—The fair value measurements of contingent consideration liabilities established in connection with business combinations are determined as of the acquisition date based on significant unobservable inputs, including the discount rate, the price of the Company's stock, estimated probabilities and timing of achieving specified milestones and the estimated amount of future sales. Contingent consideration liabilities are remeasured to fair value at each subsequent reporting date until the related contingency is resolved. Changes to the fair value of the contingent consideration liabilities can result from changes to one or a number of inputs, including discount rates, the probabilities of achieving the milestones, the time required to achieve the milestones and estimated future sales. Significant judgment is employed in determining the appropriateness of these inputs. Changes to the inputs described above could have a material impact on the Company's financial position and results of operations in any given period.

Reclassifications—Certain reclassifications have been made to prior years' financial information to conform to the current year presentation. Changes in presentation were made to provide more detailed information and insight into the

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Company's operations and had no impact on total net loss or related to the retrospective adoption of new accounting pronouncements as described below.

Recently Adopted Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02"), which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act (the "Tax Act"), from accumulated other comprehensive income to retained earnings. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted, and can be applied retrospectively for each period in which the effect of the Tax Act is recognized or in the period of adoption. The Company early adopted ASU 2018-02 in connection with the preparation of our annual financial statements for the year ended December 31, 2018 and reflected the guidance in the period of adoption. There was no material impact to the Company's consolidated financial position, results of operations, and cash flows.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* ("ASU 2017-09"). The guidance clarifies the changes to the terms or conditions of a share-based payment awards that require an entity to apply modification accounting in Topic 718. This guidance was adopted effective January 1, 2018 and will be applied prospectively to any awards modified on or after the adoption date. The adoption of this guidance did not have material impact on the Company's consolidated financial position, results of operations and cash flows.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force)* ("ASU 2016-18") to add and clarify guidance on the classification and presentation of restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 requires that restricted cash and restricted cash equivalents be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period totals disclosed in the statement of cash flows. Transfers between restricted and unrestricted cash accounts are not reported within the statement of cash flows. Only restricted cash receipts or payments from restricted cash directly to third parties are reported in the statement of cash flows as either an operating, investing, or financing activity, depending on the nature of the transaction. Furthermore, an additional reconciliation is required to reconcile cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to sum to the total shown in the consolidated statements of cash flows. The Company has historically disclosed the restricted cash separately on its consolidated balance sheets. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and is effective for all other entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Company retrospectively adopted ASU 2016-18 in connection with the preparation of our annual financial statements for the year ended December 31, 2018. The table below under "Summary of Adjustments to Prior Period Presentation" shows the impact of our retrospective adoption of ASU 2016-18 on our consolidated statements of cash flows for the years ended December 31, 2016 and 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which updated the guidance on how certain cash receipts and cash payments should be presented and classified within the statement of cash flows. The guidance was effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and is effective for all other entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The standard requires retrospective adoption. We elected to early adopt ASU 2016-15 in connection with the preparation of our annual financial statements for the year ended December 31, 2018. The adoption of ASU 2016-15 changed how we have historically classified cash paid related to contingent consideration and holdbacks in connection with acquisitions depending on the timing of when the

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payments are made. Prior to the adoption of ASU 2016-15, cash paid related to acquisitions was entirely classified as cash outflows from investing activities, regardless of the timing of payment and upon the adoption of ASU 2016-15, cash paid soon after the close of the acquisition is classified as a cash outflow from investing activities, while cash payments made after that time are classified as cash outflows from either financing or operating activities, depending on whether the amount paid is in excess of the contingent consideration recognized during the measurement period. There were no payments relating to contingent consideration or acquisition holdbacks during the years ended December 31, 2016 and 2017 that required retrospective adjustment as a result of the adoption of ASU 2016-15. During the year ended December 31, 2018, we classified \$14.4 million in payments relating to acquisition holdbacks as cash outflows from financing activities in our accompanying consolidated statement of cash flows.

The adoption of ASU 2016-15 also required the Company to make an accounting policy election with respect to distributions received from equity method investees to be classified using either the cumulative earnings approach or the nature of distribution approach. In connection with the adoption of ASU 2016-15, we made the accounting policy election to classify distributions received from equity method investees using the cumulative earnings approach. There have been no distributions received from equity method investees for the years ended December 31, 2016, 2017 and 2018. The other aspects of ASU 2016-15 did not result in a change to our existing accounting policies for the preparation of the statement of cash flows.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01") which changes how entities recognize, measure, present and make disclosures about certain financial assets and financial liabilities. ASU 2016-01 requires equity investments that do not result in consolidation and are not accounted for under the equity method, to be measured at fair value with any changes in fair value recognized in net income. The ASU also provides an instrument-by-instrument election to measure equity investments accounted for under ASU 2016-01 (ASC 321) that do not have readily determinable fair values at cost minus 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. The standard also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.

ASU 2016-01 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Nonpublic business entities can adopt the standard at the same time as public business entities, and both can early adopt certain provisions. The Company early adopted the provisions of ASU 2016-01 as of the third quarter of 2018 and elected the measurement alternative, to be applied prospectively, for all non-marketable equity investments that no longer qualify for cost measurement under the ASU. The adoption of this guidance did not have material impact on the Company's consolidated financial position, results of operations and cash flows.

Summary of Adjustments to Prior Period Presentation—The following table summarizes the impact of the retrospective adoption of ASU 2016-18 on our consolidated statement of cash flows for the year ended December 31, 2016:

(Amounts in thousands)	As Previously Reported	ASU 2016-18 Adjustments	As Adjusted
Investing Activities:			
Change in restricted cash	\$ (31,198)	\$ 31,198	\$ —
Net cash used by investing activities	(849,723)	31,198	(818,525)
Net increase in cash, cash equivalents, and restricted cash	52,829	31,198	84,027
Cash, cash equivalents, and restricted cash—beginning of year	453,768	42,547	496,315
Cash, cash equivalents, and restricted cash—end of year	506,597	73,745	580,342

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The following table summarizes the impact of the retrospective adoption of ASU 2016-18 on our consolidated statement of cash flows for the year ended December 31, 2017:

(Amounts in thousands)	As Previously Reported	ASU 2016-18 Adjustments	As Adjusted
Investing Activities:			
Change in restricted cash	\$ (76,666)	\$ 76,666	\$ —
Net cash used by investing activities	(1,453,433)	76,666	(1,376,767)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(666)	(97)	(763)
Net increase in cash, cash equivalents, and restricted cash	1,514,208	76,569	1,590,777
Cash, cash equivalents, and restricted cash—beginning of year	506,597	73,745	580,342
Cash, cash equivalents, and restricted cash—end of year	2,020,805	150,314	2,171,119

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). This guidance expands the scope of ASC 718 to include share-based payments granted to nonemployees in exchange for goods or services used or consumed in an entity's own operations and supersedes the guidance in ASC 505-50. The guidance also applies to awards granted by an investor to employees and nonemployees of an equity method investee for goods or services used or consumed in the investee's operations. This guidance is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other companies, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606. The Company is currently evaluating the impact that ASU 2018-07 will have on its consolidated financial position, results of operations, and cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The guidance changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current 'incurred loss' model with an 'expected loss' approach. ASU 2016-13 will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU 2016-13 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years and is effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires a lessee to recognize a right-of-use asset and lease liability for leases with terms greater than twelve months. Recognition, measurement, and presentation of expenses will depend on classification as a finance lease or operating lease. ASU 2016-02 expands the disclosure requirements with respect to lease arrangements. ASU 2016-02 will be applied using a modified retrospective transition approach. ASU 2016-02 is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years and is effective for all other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. While the Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial position, results of operations, and cash flows, the expectation is the adoption will have a material impact on the Company's consolidated balance sheet. As of December 31, 2018, the Company's future

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minimum rental payments for its operating leases totaled \$34.0 billion, as disclosed in Note 23. The Company expects the majority of these operating leases will be impacted by ASU 2016-02, resulting in increases in lease liabilities and right of use assets based on the present value of future lease payments. The Company expects to continue entering into new lease arrangements in the ordinary course of business.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which was codified primarily as Accounting Standards Codification No. 606 ("ASC 606"). ASC 606 supersedes existing revenue recognition guidance and clarifies the principles for recognizing revenue. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products and services. Since issuance in May 2014, the FASB has issued several amendments to ASC 606 including implementation guidance which clarifies principal versus agent considerations in reporting revenue gross versus net, clarification of the identification and treatment for performance obligations and guidance on collectability, noncash consideration and various other accounting and presentation matters. ASC 606, as amended, is effective for public business entities for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual reporting periods and is effective for all other entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019, with early adoption permitted. ASC 606 should be applied either retrospectively to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying ASC 606 recognized at the date of initial application. The Company will adopt ASU 2014-09 as of January 1, 2019 using the modified retrospective approach with a cumulative effect adjustment to opening retained earnings. The Company does not expect the adoption of ASU 2014-09 will have a material impact on the timing of recognition for the majority of the Company's revenues, including membership revenue.

Note 3. Other Current Assets

Other current assets consists of the following.

(Amounts in thousands)	December 31,	
	2017	2018
Net receivable for value added tax ("VAT")	\$ 33,230	\$ 92,815
Deposits on property and equipment	53,337	81,646
Acquisition deposit ⁽¹⁾	77,800	—
Prepaid rent expense	46,400	71,357
Prepaid real estate taxes	6,695	14,293
Prepaid common area maintenance charges	4,587	7,075
Prepaid member referral fees	9,086	49,735
Prepaid software	3,253	13,546
Other prepaid expenses and current assets	17,342	55,134
Total other current assets	<u>\$ 251,730</u>	<u>\$ 385,601</u>

(1) During 2017, the Company entered into an agreement for the acquisition of a commercial real estate portfolio located in London, United Kingdom ("DSQ") and funded approximately \$77.8 million for a non-refundable deposit. Subsequent to December 31, 2017, the Company entered into a joint venture ("DSQ Partners") established to own, operate and manage the DSQ real estate portfolio upon the closing of the acquisition. DSQ Partners closed on the acquisition of DSQ in April 2018 and the Company received a reimbursement of approximately \$25.0 million, which represented the difference between the deposit funded and the Company's 10% share of the capital requirements of DSQ Partners. See Note 9 for additional details.

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Note 4. Property and Equipment, Net

Property and equipment, net, consists of the following:

(Amounts in thousands)	December 31,	
	2017	2018
Leasehold improvements	\$ 1,908,673	\$ 3,562,651
Capital lease assets	43,710	44,443
Equipment	170,469	371,455
Furniture	225,453	423,346
Construction in progress	280,851	538,384
Property and equipment	2,629,156	4,940,279
Less: accumulated depreciation	(292,064)	(571,507)
Total Property and equipment, net	\$ 2,337,092	\$ 4,368,772

Depreciation expense for the years ended December 31, 2016, 2017, and 2018 was \$86.4 million, \$156.6 million, and \$284.1 million, respectively.

Note 5. Noncontrolling Interests

During 2018, the Company launched a fund (the "Creator Fund") that will make investments in recipients of WeWork's "Creator Awards" and other investments through use of a venture capital strategy. A wholly-owned subsidiary of the Company is the managing member of the Creator Fund. As of December 31, 2018, the Creator Fund had received contributions from Softbank Group Capital Limited totaling \$44.7 million, representing 99.99% of the interest of the Creator Fund. An affiliate of Softbank Group Capital Limited is a principal stockholder with representation on the Company's board of directors. During 2018, the Creator Fund purchased certain investments that had been previously warehoused by WeWork on behalf of the Creator Fund for \$12.1 million, as a result of these purchases, the Company recognized a \$1.2 million increase to additional paid in capital, which represents the difference between the cash received and the carrying value of the investments transferred. See Note 9 for additional details of investments acquired by the Creator Fund. The portion of consolidated equity attributable to the interest of the Creator Fund's investors in the Creator Fund is reflected as noncontrolling interests, within the equity section of the accompanying consolidated balance sheet as of December 31, 2018.

During 2018, the Company formed a 50% owned and consolidated joint venture entity ("WeWork Waller Creek") to facilitate an investment in an unconsolidated joint venture ("Waller Creek") that acquired a parcel of land in Texas. See Note 9 for additional details. The Company is the managing member of WeWork Waller Creek, which owns 5% of Waller Creek. As of December 31, 2018, the Company and the other WeWork Waller Creek investor have each funded \$3.2 million related to the closing of the land purchase. The portion of the consolidated equity attributable to the interest of WeWork Waller Creek's other investor is reflected as a redeemable noncontrolling interest, within the mezzanine section of the accompanying consolidated balance sheet as of December 31, 2018.

During 2018, a consolidated subsidiary of the Company ("ChinaCo") sold to investors \$500.0 million of Series B Preferred Stock at a price of \$18.319 per share and a liquidation preference of \$18.319 per share. During 2017, ChinaCo sold to investors \$500.0 million of Series A Preferred Stock at a price of \$10.00 per share and a liquidation preference of \$10.00 per share. The portion of consolidated equity attributable to ChinaCo's Series A and B Preferred shareholders are reflected as redeemable noncontrolling interests, within the mezzanine section of the accompanying consolidated balance sheets as of December 31, 2017 and 2018. See Note 6 for a discussion of the Class A Ordinary shares issued during 2018 by ChinaCo in connection with an acquisition. There were no Class A Ordinary shares

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outstanding as of December 31, 2017. The portion of consolidated equity attributable to ChinaCo's Class A Ordinary shareholders are reflected as noncontrolling interests, within the equity section of the accompanying consolidated balance sheet as of December 31, 2018.

Pursuant to the terms of the shareholders' agreement of ChinaCo, as long as certain investors remain shareholders of ChinaCo, ChinaCo will be the exclusive operator of the Company's businesses in the "Greater China" territory, defined in the agreement to include China, Hong Kong, Taiwan and Macau. After the fifth anniversary of the later of (i) the initial ChinaCo Series B Preferred Stock closing date and (ii) the date of ChinaCo's latest bona fide financing transaction (or set of related transactions) in which ChinaCo receives gross proceeds of at least \$50.0 million, the Company may elect to purchase, at fair value, all ChinaCo shares held, other than any interests issued in connection with an equity incentive plan. The Company may elect to pay the buyout consideration in either cash, shares of WeWork's Class A Common Stock, or a combination thereof. For a period of one year (which one year period may be tolled in certain circumstances) following the fifth anniversary of the later of (i) the initial ChinaCo Series B Preferred Stock closing date and (ii) the date of ChinaCo's latest bona fide financing transaction in which ChinaCo receives gross proceeds of at least \$50.0 million, the lead investor in the ChinaCo Series B financing will have the right to elect to have ChinaCo complete a liquidity event, which may include, at our option, an initial public offering of ChinaCo, a sale of ChinaCo, a sale of Series B Preferred Stock held by participating Series B Preferred Stockholders of ChinaCo, or a purchase of such participating holders' interest in ChinaCo by the Company or by ChinaCo. The lead investor will only be able to exercise this liquidity event right if it retains all of its holdings of Series B Preferred Stock of ChinaCo that it acquired in the ChinaCo Series B financing or otherwise.

During 2017, a consolidated subsidiary of the Company ("JapanCo") entered into an agreement with investors for the sale of a 50% membership interest in JapanCo for an aggregate contribution of \$500.0 million which will be funded over a period of time. As of December 31, 2017 and 2018, JapanCo had received contributions totaling \$200.0 million and \$300.0 million, respectively. Pursuant to the terms of the agreement an additional \$100.0 million is required to be contributed in each of 2019 and 2020. The portion of consolidated equity attributable to the outside investors' interests in JapanCo are reflected as redeemable noncontrolling interests, within the mezzanine section of the accompanying consolidated balance sheets as of December 31, 2017 and 2018. As long as the investors remain shareholders of JapanCo, JapanCo will be the exclusive operator of the Company's WeWork branded co-working businesses in Japan. After July 13, 2024 and, prior to that date, in the event of default on the contributions to be made, the Company may elect to purchase, at fair value, all JapanCo membership interests held, other than any interests issued in connection with an equity incentive plan. The Company may elect to pay the buyout consideration in either cash, WeWork shares, or a combination thereof.

During 2017, a consolidated subsidiary of the Company ("PacificCo") entered into an agreement with an investor for the sale of \$500.0 million of Series A-1 Preferred Stock at a price of \$10.00 per share and a liquidation preference of \$10.00 per share on terms and subject to conditions substantially identical to the terms and conditions of the ChinaCo transaction described above. The initial closing occurred on October 30, 2017 and all of the PacificCo Series A-1 Preferred Stock was issued at that time, however the Company received contributions totaling \$200.0 million at the initial closing and an additional \$100.0 million during the year ended December 31, 2018. Pursuant to the terms of the agreement an additional \$100.0 million is required to be contributed in each of 2019 and 2020. The portion of consolidated equity attributable to PacificCo's Series A-1 Preferred shareholders are reflected as redeemable noncontrolling interests, within the mezzanine section of the accompanying consolidated balance sheets as of December 31, 2017 and 2018. As long as the investor remains a shareholder of PacificCo, PacificCo will be the exclusive operator of the Company's businesses in selected markets in Asia other than those included in the Greater China and Japan territories described above, including but not limited to Singapore, Korea, the Philippines, Malaysia, Thailand, Vietnam and Indonesia. After October 30, 2024, the Company may elect to purchase, at fair value, all PacificCo shares held, other than any interests issued in connection with an equity incentive plan. The Company may elect to pay the buyout consideration in either cash, WeWork shares, or a combination thereof.

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As of December 31, 2018, the Creator Fund, WeWork Waller Creek, ChinaCo, JapanCo and PacificCo are the Company's only consolidated VIEs. The Company is considered to be the primary beneficiary as we have the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance and the right to receive benefits that could potentially be significant to the VIEs. As a result, these entities remain consolidated subsidiaries of the Company and the interests owned by the other investors and the net income or loss and comprehensive income or loss attributable to the other investors are reflected as redeemable noncontrolling interests and noncontrolling interests on our consolidated balance sheets, consolidated statements of operations, and consolidated statements of comprehensive loss, respectively.

The following table includes selected consolidated financial information of our consolidated VIEs as of December 31, 2017 and 2018 and for the years ended December 31, 2017 and 2018, as included in our consolidated financial statements, and in each case after intercompany eliminations. The Company did not have consolidated VIEs during the year ended December 31, 2016.

(Amounts in thousands)	December 31, 2017		December 31, 2018	
	Asia JVs ⁽¹⁾	Other VIEs	Asia JVs ⁽¹⁾	Other VIEs ⁽²⁾
Consolidated VIE balance sheet information:				
Cash and cash equivalents	\$727,278	\$ —	\$ 813,818	\$ 12,210
Property and equipment, net	91,798	—	491,801	—
Restricted cash	19,999	—	74,846	—
Total assets	935,780	—	2,023,329	46,549
Long-term debt, net	—	—	9,795	—
Total liabilities	92,653	—	597,685	83
Redeemable stock issued by VIEs	900,000	—	1,599,157	3,160
Total net assets ⁽³⁾	(56,873)	—	(173,513)	43,306

(Amounts in thousands)	Year Ended December 31, 2017		Year Ended December 31, 2018	
	Asia JVs ⁽¹⁾	Other VIEs	Asia JVs ⁽¹⁾	Other VIEs ⁽²⁾
Consolidated VIE statement of operations information:				
Net loss	\$ (58,652)	\$ —	\$ (373,776)	\$ (146)
Consolidated VIE cash flow information:				
Net cash used in operating activities	(34,179)	—	(120,831)	(71)
Net cash used in investing activities	(98,190)	—	(516,814)	(23,601)
Net cash provided by financing activities	910,634	—	763,229	47,905

(1) The "Asia JVs" include ChinaCo, JapanCo and PacificCo. JapanCo and PacificCo are prohibited from declaring dividends without the approval of an affiliate of SoftBank Group Capital Limited. As a result, any net assets of JapanCo and PacificCo would be considered restricted net assets to WeWork Companies Inc. In addition, certain subsidiaries of ChinaCo are incorporated in China and are subject to laws and regulations of the People's Republic of China ("PRC"). As a result of local PRC laws and restrictions, assets held by ChinaCo may not be freely transferable to the United States. The net assets of the Asia JVs include preferred stock issued to affiliates of SoftBank and other investors that includes liquidation preferences totaling \$900.0 million and \$1.6 billion as of both December 31, 2017 and 2018, and is redeemable upon the occurrence of an event that is not solely within the control of the Company. After reducing the net assets of each Asia JV by the liquidation preference associated with the redeemable stock issued, the remaining net assets of each Asia JV is negative. The initial issuance price equals the liquidation preference for each share issued as of December 31, 2017 and 2018.

(2) The "Other VIEs" includes all other consolidated VIEs, other than the Asia JVs discussed separately in (1) and include the Creator Fund and WeWork Waller Creek.

(3) Total net assets represents total assets less total liabilities and redeemable stock issued by VIEs after the total assets and total liabilities have both been reduced to remove amounts that eliminate in consolidation.

The assets of consolidated VIEs will be used first to settle obligations of the VIE. Remaining assets may then be distributed to the VIEs' owners, including the Company, subject to the liquidation preferences of certain noncontrolling interest holders and any other preferential distribution provisions contained within the operating agreements of the

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relevant VIEs. Other than the restrictions relating to the Company's Asia JVs discussed in (1) above, third-party approval for the distribution of available net assets is not required for the Company's other consolidated VIEs.

Note 6. Acquisitions

In September 2018, the Company acquired 100% of the equity of Teem Technologies, Inc. ("Teem") for total cash consideration of \$94.2 million. At closing, \$18.4 million of the cash consideration was held back. As of December 31, 2018, \$18.4 million of the cash held back at closing was included in other current liabilities on the accompanying consolidated balance sheet. Teem was founded in 2009 and offers a software-as-a-service workplace management solution that offers booking, guest management, indoor navigation, and real-time space analytics tools.

In April 2018, ChinaCo, PacificCo, and a consolidated wholly owned subsidiary of the Company ("WeWork Australia"), acquired 100% of the issued and outstanding stock of naked Hub Holdings Ltd. ("NH Holdings"), naked Hub Vietnam Holdings Limited ("NH Vietnam"), and naked Hub Australia Pty Ltd ("NH Australia" and, together with NH Holdings and NH Vietnam, "Naked Hub"). The total consideration for the acquisition of Naked Hub was \$480.3 million, in the form of cash, Class A Ordinary Shares of ChinaCo, and Class A Common Stock of the Company.

Naked Hub, founded in 2015, was formerly the co-working arm of Shanghai-based luxury resort company Naked Retreats. As of the acquisition date, Naked Hub had approximately 8,000 members across 25 locations, primarily in Shanghai, Beijing, Australia, Hong Kong and Vietnam. This acquisition has increased the Company's market presence in Asia.

PacificCo acquired 100% of the equity of NH Vietnam for \$14.4 million and WeWork Australia acquired 100% of the equity of NH Australia for \$16.2 million, both all cash transactions.

ChinaCo acquired 100% of the equity of NH Holdings for total consideration of \$449.7 million, consisting of \$177.0 million in cash and \$272.7 million in ChinaCo Class A Ordinary Shares and Class A Common Stock of the Company. At closing, the Company transferred \$146.3 million in cash and \$179.7 million in ChinaCo Class A Ordinary Shares. The remaining consideration included a holdback of \$15.9 million payable in cash and contingent consideration consisting of \$14.7 million payable in cash and \$93.1 million payable in a combination of ChinaCo Class A Ordinary Shares and Class A Common Stock of the Company. ChinaCo will reimburse the Company for any shares of the Company issued on ChinaCo's behalf in connection with the acquisition. The Company determined the fair value of the contingent consideration, based on the likelihood of reaching set milestones. Each period, the contingent consideration will be remeasured to fair market value through the statement of operations. During the year ended December 31, 2018, the Company recorded a loss of \$(80.6) million related to the remeasurement of the contingent consideration payable in stock offset by \$4.2 million of gain related to the remeasurement of the contingent consideration payable in cash, included in growth and new market development expenses on the accompanying consolidated statements of operations. The change in fair value of the contingent consideration was driven by changes in the Company's projected obligation to issue additional ChinaCo Class A Ordinary Shares based on the anti-dilution provisions of the acquisition agreement, changes in the likelihood of achieving certain milestones, and an increase in the fair market value of the ChinaCo Class A Ordinary Shares and the Company's Class A Common Stock during the period. During the year ended December 31, 2018, ChinaCo issued \$44.0 million of additional Class A Ordinary Shares in connection with the anti-dilution protection related to the contingent consideration of this acquisition. As of December 31, 2018, there was \$15.9 million in cash holdback, \$10.5 million in contingent consideration payable in cash, and \$129.8 million in contingent consideration payable in a combination of Class A Ordinary Shares of ChinaCo and Class A Common Stock of the Company included in other current liabilities on the accompanying consolidated balance sheet.

In March 2018, the Company completed the acquisition of 100% of the equity of Conductor, Inc. ("Conductor") for a total consideration of \$113.6 million. The total consideration included \$15.8 million in cash and \$97.8 million in Series AP-1 Preferred Stock. At closing, \$0.2 million of the cash and \$31.6 million of the Series AP-1 Preferred Stock

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acquisition consideration was held back. As of December 31, 2018, \$0.2 million of cash and \$10.0 million of the Series AP-1 Preferred Stock that were held back at closing remain included in other current liabilities and additional paid in capital, respectively on the consolidated balance sheet. Conductor was founded in 2006 and is a marketing services software company that provides search engine optimization and enterprise content marketing solutions. The acquisition will allow WeWork to enhance its member experience by offering marketing solutions to help our members to strengthen their brands and scale their businesses. In addition, we believe this acquisition will allow the Company to reduce marketing expense by bringing it in-house.

During the year ended December 31, 2018, the Company acquired 100% of the equity of three other companies, in various lines of business, for total consideration of \$11.0 million. The total consideration included \$7.9 million in cash and \$3.1 million in Series AP-2 Preferred Stock. As of December 31, 2018, the consolidated balance sheet included other current liabilities of \$0.2 million and other liabilities of \$0.5 million related to cash consideration holdbacks and additional paid-in capital of \$0.6 million related to the equity consideration holdbacks.

The preliminary allocation of the total acquisition consideration during the year ended December 31, 2018 is estimated as follows:

(Amounts in thousands)	Total 2018 Acquisitions
Cash and cash equivalents	\$ 44,925
Property and equipment	33,723
Capitalized software	16,300
Goodwill	553,458
Finite-lived intangible assets	83,840
Indefinite-lived intangible assets	4,100
Deferred tax liabilities	(9,201)
Deferred revenue	(11,638)
Other assets acquired and liabilities assumed, net	(16,393)
Total consideration	<u>\$ 699,114</u>

In December 2017, the Company completed a merger to acquire 100% of the equity of Meetup, Inc. ("Meetup") for total cash consideration of approximately \$156.0 million. At closing, \$15.0 million of the acquisition consideration was held back. As of December 31, 2018, \$7.8 million of the cash holdback is included in other current liabilities on the accompanying consolidated balance sheet. As of December 31, 2017, \$7.5 million of the cash holdback is included in other current liabilities and \$7.5 million is included in other liabilities on the accompanying consolidated balance sheet. Meetup was founded in 2002 and is a web-based platform that brings people together for face to face interactions, called Meetups, in thousands of markets around the world. WeWork and Meetup plan to use technology to foster greater community and to create new and innovative ways of bringing people together.

In October 2017, the Company completed a merger to acquire 100% of the equity of Flatiron School, Inc. ("Flatiron") for total consideration of approximately \$28.0 million. The total consideration included \$15.0 million in cash, \$4.0 million in Class A Common Stock and \$9.0 million in Series G Preferred Stock. At closing, \$2.1 million of the cash, \$0.6 million of the Class A Common Stock, and \$1.3 million of the Series G Preferred Stock acquisition consideration were held back. The cash holdback is included in other current liabilities and the equity holdbacks are included as a component of additional paid-in capital on the accompanying consolidated balance sheet as of December 31, 2017. As of December 31, 2018, all holdbacks had been released. Flatiron was founded in 2012 and is based in New York, NY. Flatiron provides web development and iOS immersive courses in New York as well as online courses, corporate trainings, and pre-college programs. Through this acquisition, WeWork now offers in-person and online courses as a

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way for members and employees to expand their knowledge and skill set. We believe this acquisition will allow WeWork members to access both an educational platform and knowledgeable and highly skilled coders.

During 2017, the Company acquired 100% of the equity of three other businesses, in various lines of business, for total consideration of approximately \$33.9 million. The total consideration included \$23.2 million in cash, \$3.9 million in Class A Common Stock, and \$6.8 million in Series G Preferred Stock. At closing, \$5.0 million of the cash and \$2.3 million of the equity acquisition consideration were held back and are included in other current liabilities and additional paid-in capital, respectively, on the accompanying consolidated balance sheets as of December 31, 2017. As of December 31, 2018, all holdbacks had been released.

All 2018 and 2017 acquisitions were accounted for as business combinations and the total consideration was allocated to the identifiable assets acquired and liabilities assumed based on their fair values (using primarily Level 3 inputs) as of the closing date of each acquisition, with amounts exceeding the net fair value recognized as goodwill. The goodwill is non-tax deductible and primarily attributable to expected synergies from the integration of the operations of the acquired companies and WeWork. Preliminary purchase price allocations are finalized upon post-closing procedures.

These business acquisitions were not material to our consolidated financial statements, either individually or in the aggregate. Accordingly, pro forma results of these business acquisitions have not been presented.

During the year ended December 31, 2018, the Company released acquisition holdbacks of \$14.4 million of cash, \$1.7 million of Class A Common Stock (representing 65,515 shares of Class A Common Stock) and \$24.3 million of preferred stock (representing 49,152 shares of Series G Preferred Stock, 338,324 shares of Series AP-1 Preferred Stock and 878 shares of Series AP-2 Preferred Stock) relating to acquisitions following the satisfaction of requirements per the terms of the relevant acquisition agreements. During the year ended December 31, 2017, no holdback amounts were released.

During the years ended December 31, 2016, 2017 and 2018, the Company incurred transaction costs relating to acquisitions totaling none, \$1.6 million and \$7.0 million, respectively.

Note 7. Goodwill

Goodwill includes the following activity during the years ended December 31, 2017 and 2018:

(Amounts in thousands)	Year Ended December 31,	
	2017	2018
Balance at beginning of period	\$ 5,317	\$ 156,117
Goodwill acquired	150,330	553,458
Other measurement period adjustments	—	(1,471)
Effect of foreign currency exchange rate changes	470	(27,087)
Balance at end of period	<u>\$ 156,117</u>	<u>\$ 681,017</u>

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Note 8. Intangible Assets, Net

Intangible assets, net consist of the following:

		December 31, 2017		
(Amounts in thousands)	Weighted-Average Remaining Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software	2.7	\$ 41,782	\$ (9,800)	\$ 31,982
Other finite-lived intangible assets - customer relationships and other	9.8	26,273	(106)	26,167
Indefinite-lived intangible assets - trademarks		26,370	—	26,370
Total intangible assets, net		\$ 94,425	\$ (9,906)	\$ 84,519

		December 31, 2018		
(Amounts in thousands)	Weighted-Average Remaining Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software	2.2	\$ 56,986	\$ (24,522)	\$ 32,464
Other finite-lived intangible assets - customer relationships and other	8.5	131,945	(12,521)	119,424
Indefinite-lived intangible assets - trademarks		7,255	—	7,255
Total intangible assets, net		\$ 196,186	\$ (37,043)	\$ 159,143

Amortization expense of intangible assets was \$5.6 million, and \$27.1 million for the years ended December 31, 2017, and 2018, respectively.

Amortization expense related to intangible assets as of December 31, 2018 is expected to be as follows:

(Amounts in thousands)	Total
2019	\$ 34,391
2020	27,508
2021	16,022
2022	12,562
2023	12,485
2024 and beyond	48,920
Total	\$ 151,888

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Note 9. Equity Method and Other Investments

The Company's investments consist of the following:

(Amounts in thousands, except percentages)		December 31,			
		2017	2018		
		Carrying Value	Carrying Value	Cost Basis	Percentage Ownership
Investee	Investment Type				
DSQ ⁽¹⁾	Equity method investment / Note receivable	\$ —	\$ 52,291	\$ 53,067	10%
WPI Fund ⁽²⁾	Equity method investment / Investment in convertible notes	7,759	66,592	65,568	4%
The Wing ⁽³⁾	Equity method investment / Equity securities	38,000	59,163	52,000	23%
210 North Green ⁽⁴⁾	Equity method investment	697	—	—	—%
Waller Creek ⁽⁵⁾	Equity method investment	—	6,464	6,464	5%
Creator Fund Investments ⁽⁶⁾	Various	4,833	28,008	27,880	Various
IndiaCo ⁽⁷⁾	Investment in convertible notes	5,928	5,319	5,248	N/A
Other	Various	—	598	738	Various
Total equity method and other investments		\$ 57,217	\$ 218,435	\$ 210,965	

- (1) During 2017, the Company entered into an agreement for the acquisition of DSQ and as of December 31, 2017 had funded approximately \$77.8 million for a non-refundable deposit relating to this purchase agreement, as discussed in Note 3. The Company subsequently assigned its right to purchase DSQ to DSQ Partners. DSQ Partners closed on the acquisition of DSQ in April 2018 and the Company received a reimbursement of approximately \$25.0 million, which represented the difference between the deposit funded and the Company's 10% share of the total capital contribution requirements of DSQ Partners. The net balance of \$53.1 million, represents the Company's investment in DSQ Partners including capitalized legal costs associated with the investment. The investment balance as of December 31, 2018, includes a note receivable with an outstanding balance of \$25.1 million that accrues interest at a rate of 6.08% and matures in April 2028. The remaining \$27.2 million investment is an equity method investment. The Company was a tenant in one of the properties within DSQ prior to the acquisition by DSQ Partners and subsequent to the acquisition signed new leases for additional space in other locations within DSQ. See Note 24 for additional details.
- (2) During 2017, the Company subscribed for a total of \$27.0 million in capital commitments to a new real estate investment fund (the "WPI Fund"), including its commitments as a 50% owner of the unconsolidated entity that is the general partner of the WPI Fund and its commitments as a limited partner of the WPI Fund. The Company is also a 50% owner in the unconsolidated entity that is the asset manager for the WPI Fund. The other 50% owner of both the general partner and the asset manager of the WPI Fund, is an affiliate of Rhône Group L.L.C. Rhône Group L.L.C. is also a shareholder of WeWork Companies Inc. and Rhône Group L.L.C.'s controlling member is also a director of WeWork Companies Inc. Of the total capital commitments, the Company had funded approximately \$15.5 million as of December 31, 2018. During 2018, the Company also funded an additional \$50.0 million for a convertible note to a wholly-owned subsidiary of the WPI Fund. During February 2019, this note converted into equity in the 424 Fifth Venture as defined and discussed in Note 26. The WPI Fund expects to invest primarily in real estate with current or expected vacancy that would be suitable for, and that would benefit from, WeWork occupancy as well as potential investments in properties at which or near where WeWork is already a tenant.
- (3) During 2017, the Company acquired a 25% interest, comprised of common and preferred shares, in Refresh Club, Inc. ("The Wing") for \$38.0 million, which was accounted for as an equity method investment. The Wing is a network of co-working and community spaces for women and its mission is to create space for women to advance their pursuits and build community together. During 2018, the Company acquired an additional \$14.0 million of preferred shares in connection with a new round of financing by The Wing, which resulted in the Company's ownership decreasing to 23%. The preferred shares, including both the preferred shares acquired during 2017 and the preferred shares acquired during 2018, were determined to be equity securities without a readily determinable fair value and are measured using the measurement alternative. The common shares acquired during 2017 remained an equity method investment. As this additional round of financing in 2018 represented an orderly market transaction, the preferred shares acquired during 2017 were revalued based primarily on Level 3 inputs of the fair value hierarchy, including the enterprise value implied by the new round of financing and other inputs. The Company recorded an associated \$8.0 million gain, which is reflected in the income (loss) from equity method and other investments on the accompanying consolidated statement of operations for the year ended December 31, 2018.
- (4) As of December 31, 2017, the Company held a 5% investment in the landlord entity at the Company's leased location at 210 North Green in Chicago, Illinois. In January 2018, the Company received \$2.2 million for the sale of this investment. The \$1.5 million gain has been deferred as a result of the Company's continuing involvement through its capital lease at this location. See Note 24 for additional details.
- (5) During 2018, the Company acquired a 5% interest in Waller Creek, through WeWork Waller Creek, for \$6.5 million. Waller Creek is a joint venture established to acquire a parcel of land in Texas and develop, manage, operate, and eventually sell the developed property. Waller Creek closed on the \$126.0 million acquisition of land in December 2018.
- (6) During 2018, the Company launched the Creator Fund that will make investments in recipients of WeWork's Creator Awards and other investments through use of a venture capital strategy. The Creator Fund is a consolidated subsidiary owned 99.99% by related party noncontrolling interest holders. The Creator Fund has invested in other companies through Simple Agreements for Future Equity ("SAFE"), equity securities, or convertible notes. SAFE investments will convert into equity issued in the subject entity's next qualifying equity financing round, typically, at either the issue price or a discount to the issue price. The SAFE is also senior to any equity claims upon a change of control and/or dissolution of the subject entity prior to the conversion of the security. As the Creator Fund does not have significant influence over these investees and the investments do not have a readily determinable fair value, these investments are recognized at the initial cost basis, subject to impairment and remeasured using the measurement alternative. Under the measurement alternative, changes in fair value are recognized in connection with orderly market transactions. During the years ended December 31, 2017, and 2018, the Creator Fund made investments totaling \$5.4 million and \$22.5 million respectively.

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- (7) In November 2016, the Company entered into an agreement with WeWork India Services Private Limited ("IndiaCo"), an affiliate of Embassy Property Developments Private Limited ("Embassy"), to subscribe for convertible debentures to be issued by IndiaCo in an aggregate principal amount of INR, which equated to \$5.2 million as of December 31, 2018. The Company fully funded this investment in April 2017. The debentures will earn interest at a coupon rate of 6% per annum and have a maximum term of twenty years. The Company also has a buy-out option that it may exercise to purchase Embassy's equity shares in IndiaCo, at fair value, after June 30, 2021 or earlier upon the occurrence of certain triggering events. The debentures are convertible into equity shares of IndiaCo upon certain trigger events which include: (i) changes in control, and (ii) defaults in regards to certain agreed upon provisions. IndiaCo will construct and operate workspace locations in India using WeWork's branding, advice, and sales model. Per the terms of the agreement, the Company will receive an advisory fee from IndiaCo based on an agreed upon profit allocation. The Company earned none, \$0.5 million and \$3.7 million, respectively, in advisory fee income from IndiaCo during the years ended December 31, 2016, 2017 and 2018, respectively. The advisory fee income is included within revenue in the accompanying consolidated statements of operations.

The Company early adopted the provisions of ASU 2016-01 as of the third quarter of 2018 and elected the measurement alternative, to be applied prospectively, for all non-marketable equity investments that no longer qualify for cost measurement under the ASU. On a quarterly basis, management qualitatively assesses whether each equity security measured under the measurement alternative is impaired. When the qualitative assessment indicates that impairment exists, the investment is written down to fair value, with the full difference between the fair value of the investment and its carrying amount recognized in earnings.

As of December 31, 2018, the WPI Fund, The Wing, IndiaCo and certain other entities, in which the Company has invested, are unconsolidated VIEs. In all cases, the Company is not the primary beneficiary, as the Company does not have the power to direct the activities of the entity that most significantly impact the entity's economic performance. None of the debt held by these investments is recourse to us. Our maximum loss is limited to the amount of our net investment in these VIEs and any unfunded commitments as discussed below.

During the years ended December 31, 2016, 2017 and 2018, the Company recorded approximately \$(0.4) million, \$(30.9) million, and \$(12.6) million, respectively, for its share of net losses related to its equity method and other investments included in income (loss) from equity method and other investments in the consolidated statement of operations.

During the years ended December 31, 2017 and 2018, the Company contributed a total of \$56.5 million, and \$174.5 million, respectively, to its investments and received distributions on sale of its investments totaling \$12.8 million and \$2.2 million, respectively. As of December 31, 2018 the Company had a total of \$21.6 million in unfunded capital commitments to its investments; however, if requested, in each case, the Company may elect to contribute additional amounts in the future.

Note 10. Other Current Liabilities

Other current liabilities consists of the following:

(Amounts in thousands)	December 31,	
	2017	2018
Current portion of acquisition holdbacks ⁽¹⁾	\$ 14,665	\$ 42,677
Contingent consideration relating to acquisitions payable in stock ⁽¹⁾	—	129,811
Contingent consideration relating to acquisitions payable in cash ⁽¹⁾	—	10,520
Current portion of long-term debt	—	2,706
Current portion of deferred rent	38,143	71,034
Other current liabilities	11,845	13,892
Total other current liabilities	\$ 64,653	\$270,640

- (1) See Note 6 for further details on holdbacks, contingent consideration, and the related acquisitions.

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Note 11. Deferred Rent

The deferred rent liability includes the following activity during the years ended December 31, 2017 and 2018

(Amounts in thousands)	December 31,	
	2017	2018
Balance at beginning of period	\$ 900,731	\$ 1,674,730
Additions relating to lease incentives	535,123	819,042
Adjustments for impact of straight-lining of rent	272,927	542,842
Amortization of lease incentives	(53,864)	(93,835)
Effect of foreign currency exchange rate changes	19,813	(39,998)
Total at end of period	1,674,730	2,902,781
Less: Current portion of deferred rent	(38,143)	(71,034)
Total long-term deferred rent at end of period	\$ 1,636,587	\$ 2,831,747

See Note 17 for further details regarding the Company's rent expense and leasing arrangements.

Note 12. Long-Term Debt, Net

Long-term debt, net consists of the following:

(Amounts in thousands, except percentages)	Maturity Year	Interest Rate	December 31, 2018
Senior notes:	2025	7.875%	
Outstanding principal balance			\$ 702,000
Less: Unamortized debt issuance costs			(16,222)
Total senior notes, net			685,778
Other Loans:	2021 - 2026	2.5% - 6.2%	
Outstanding principal balance			65,742
Less: Current portion of Other Loans			(2,706)
Total non-current portion Other Loans, net			63,036
Total Long-Term Debt, Net			\$ 748,814

Senior Notes — In April 2018, the Company issued \$702 million in aggregate principal amount of unsecured senior notes due 2025 (the "senior notes") at a 7.875% interest rate in a private offering pursuant to Rule 144A under the Securities Act and Regulation S under the Securities Act. The Company's gross proceeds of \$702.0 million, from the issuance of the senior notes, were recorded net of debt issuance costs of \$17.4 million. The debt issuance costs are deferred and will be amortized into interest expense over the term of the senior notes using the effective interest method. Interest on the senior notes accrues from April 30, 2018, the issue date of the senior notes, and is payable in cash semi-annually in arrears on May 1 and November 1 of each year. The Company may redeem the senior notes, in whole or in part, at any time prior to maturity, subject to certain make-whole premiums. The senior notes mature on May 1, 2025 at 100% of par.

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Upon the occurrence of certain change of control triggering events, the Company may be required to repurchase the senior notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest through the date of repurchase. The senior notes contain certain restrictive covenants that limit the Company's ability to create certain liens, to enter into certain affiliated transactions and to consolidate or merge with, or convey, transfer or lease all or substantially all of its assets, subject to important qualifications and exceptions.

The senior notes rank equally in right of payment with any existing and future senior indebtedness of the Company, and are senior in right of payment to any existing and future subordinated obligations of the Company, are effectively subordinated to all secured indebtedness of the Company (including obligations under the credit facilities discussed in Note 23) to the extent of the value of the collateral securing such indebtedness, and are structurally subordinated to all liabilities of any subsidiary that does not guarantee the senior notes.

The senior notes are unconditionally guaranteed on a senior basis by each of our subsidiaries that guarantees obligations under the Company's credit facilities or certain other indebtedness of the Company or a guarantor. As of the issuance date, each restricted subsidiary that guaranteed obligations under the credit facilities discussed in Note 23 also guaranteed the senior notes.

During the year ended December 31, 2018, the Company recorded interest expense of \$37.0 million and amortization of deferred financing costs of \$1.2 million related to the senior notes, which are both included as a component of *interest expense on the accompanying consolidated statements of operations*.

Other Loans — During the year ended December 31, 2018, the Company entered into other loans (the "Other Loans") with original principal amounts of \$66.5 million and interest rates ranging from 2.5% to 6.2%. During the year ended December 31, 2018, the Company recorded interest expense of \$1.7 million related to these Other Loans.

Principal Maturities — Combined aggregate principal payments for long-term debt, including the senior notes and Other Loans as of December 31, 2018, are as follows:

(Amounts in thousands)	Total
2019	\$ 2,706
2020	2,877
2021	12,855
2022	3,253
2023	3,459
2024 and beyond	742,592
Total minimum payments	<u>\$ 767,742</u>

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Note 13. Convertible Related Party Liabilities, Net

Convertible related party liabilities, net consist of the following:

(Amounts in thousands)	December 31, 2018
Convertible Note:	
Convertible Note outstanding principal balance	\$ 1,000,000
Less: Value of embedded redemption derivative liability at issuance	(178,784)
Less: Original issue discount at issuance	(169,961)
Plus: Imputed interest expense	22,359
Total Convertible Note, net	<u>673,614</u>
Convertible Note Embedded Redemption Derivative:	
Value of embedded redemption derivative liability at issuance	178,784
Plus: Change in fair value of embedded redemption derivative recorded as interest expense	97,587
Total Convertible Note Embedded Redemption Derivative	<u>276,371</u>
Total Convertible Related Party Liabilities, Net	<u><u>\$ 949,985</u></u>

In July 2018, the Company entered into an agreement for the issuance of a convertible promissory note (the "Convertible Note") with SoftBank Group Corp. for a commitment in an aggregate amount of \$1.0 billion. An affiliate of SoftBank Group Corp. is a principal stockholder with representation on the Company's board of directors. On August 31, 2018, the Company drew down on the full \$1.0 billion commitment. Interest accrues beginning on September 1, 2019, at a rate of 2.80%, compounded annually, and is payable upon maturity.

The Convertible Note matures on February 12, 2024, unless converted earlier. Unless earlier converted or repaid in connection with a Qualifying IPO (as defined below) or the sale of the Company, all of the outstanding principal and interest due under the Convertible Note will convert into preferred stock of the Company upon a preferred stock financing providing to the Company gross proceeds of at least \$2.0 billion (including the value of the Convertible Note). The Company's obligations under the Convertible Note are subordinate to the Company's obligations under its existing credit facilities (see Note 23) and its senior notes (see Note 12).

As the Convertible Note includes an interest-free period and the interest rate is also below the market effective rate for a similar borrowing, an original issue discount of \$170.0 million was recorded based on the fair value of the Convertible Note at the date of issuance. As the discount was provided by a related party and principal shareholder, it was treated as a capital contribution and recorded in additional paid in capital on the accompanying consolidated balance sheet as of December 31, 2018. The Company estimated the fair value of the Convertible Note using a probability-weighted valuation scenario model.

The Convertible Note additionally contains embedded redemption features that were required to be assessed as derivatives. The Company determined that the features converting the Convertible Note into shares upon a qualifying preferred stock financing or Qualifying IPO and prepayment upon a sale of the Company were required to be bifurcated and accounted for under derivative accounting. These embedded features have been accounted for together as a single compound derivative. The Company estimated the fair value of the compound derivative by comparing the value of the Convertible Note to a similar note without redemption features, the difference between the two values representing the value of the bifurcated redemption features. The bifurcation of the embedded redemption features represented a value of \$178.8 million at the date of issuance. The embedded redemption derivative is presented within the convertible related party liabilities, net on the accompanying consolidated balance sheet as of December 31, 2018,

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and is accounted for in the same manner as a freestanding derivative pursuant to ASC 815, Derivatives and Hedging, with subsequent changes in fair value recorded as additional interest expense each period.

The fair value measurements of the debt discount and the embedded redemption features are considered to be Level 3 fair value measurements in the fair value hierarchy as per ASC 820, *Fair Value Measurements*, as they were determined using observable and unobservable inputs.

During the year ended December 31, 2018, the Company recorded interest expense of \$22.4 million which represents the imputed interest on the Convertible Note at an effective interest rate of 10.66% and also recorded interest expense of \$97.6 million, which represents the change in fair value of the embedded redemption feature.

In January 2019, the Company and SoftBank agreed to modify certain provisions of the Convertible Note. See Note 26 for additional details regarding this subsequent event.

Note 14. Fair Value Measurements

The Company's assets and liabilities measured at fair value on a recurring basis consisted of the following:

(Amounts in thousands)	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents — money market funds and time deposits	\$ 1,100,728	\$ —	\$ —	\$ 1,100,728
Other investments — available-for-sale convertible notes	—	—	6,032	6,032
Total assets measured at fair value	<u>\$ 1,100,728</u>	<u>\$ —</u>	<u>\$ 6,032</u>	<u>\$ 1,106,760</u>

(Amounts in thousands)	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents — money market funds and time deposits	\$ 1,388,877	\$ —	\$ —	\$ 1,388,877
Other investments — available-for-sale convertible notes	—	—	5,319	5,319
Total assets measured at fair value	<u>\$ 1,388,877</u>	<u>\$ —</u>	<u>\$ 5,319</u>	<u>\$ 1,394,196</u>

Liabilities:

Other current liabilities — contingent consideration relating to acquisitions payable in stock	\$ —	\$ —	\$ 129,811	\$ 129,811
Other current liabilities — contingent consideration relating to acquisitions payable in cash	—	—	10,520	10,520
Convertible related party liabilities — derivative liability related to Convertible Note	—	—	276,371	276,371
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 416,702</u>	<u>\$ 416,702</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the years ended December 31, 2017 and 2018.

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The tables below provide a summary of the changes in assets and liabilities recorded at fair value and classified as Level 3:

(Amounts in thousands)	Year Ended December 31,	
	2017	2018
Assets:		
Balance at beginning of period	\$ 5,372	\$ 6,032
Purchases	5,345	63
Issuance of forward contract ⁽¹⁾	94,629	—
Redemption of forward contract ⁽¹⁾	(94,629)	—
Fair value adjustment included in income (loss) from equity method and other investments	(6,120)	—
Conversions	—	(177)
Accrued interest income	217	382
Foreign currency translation gains (losses) included in other comprehensive income	1,218	(176)
Foreign currency gain (loss) included in net income	—	(805)
Balance at end of period	<u>\$ 6,032</u>	<u>\$ 5,319</u>

(Amounts in thousands)	Year Ended December 31,	
	2017	2018
Liabilities:		
Balance at beginning of period	\$ —	\$ —
Additions to contingent consideration liabilities relating to acquisitions ⁽²⁾	—	107,712
Settlements of contingent consideration liabilities through issuance of ChinaCo stock ⁽²⁾	—	(43,958)
Change in fair value of contingent consideration liabilities payable in stock included in growth and new market development expenses ⁽²⁾	—	80,633
Change in fair value of contingent consideration liabilities payable in cash included in growth and new market development expenses ⁽²⁾	—	(4,194)
Additions to embedded redemption derivative ⁽³⁾	—	178,784
Change in fair value of embedded redemption derivative ⁽³⁾	—	97,587
Foreign currency translation gains (losses) included in other comprehensive income	—	138
Balance at end of period	<u>\$ —</u>	<u>\$ 416,702</u>

(1) See Note 19 for further details on the Tranche Right

(2) See Note 6 for further details on the contingent consideration and the related acquisitions

(3) See Note 13 for further details on the embedded redemption derivative

During the year ended December 31, 2018, there were no unrealized gains or (losses) relating to Level 3 assets held as of December 31, 2018. During the year ended December 31, 2018, there were unrealized losses of \$97.6 million included in interest expense and \$76.4 million of unrealized losses included in growth and new market development expenses relating to Level 3 liabilities held as of December 31, 2018.

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During the year ended December 31, 2017, other than the \$(6.1) million of fair value adjustment there were no unrealized gains or (losses) relating to level 3 assets held as of December 31, 2017. The Company does not intend to sell its investments in available-for-sale convertible notes and it is more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

The estimated fair value of the Company's accounts receivable, accounts payable, and accrued expenses approximate their carrying values due to their short maturity periods. As of December 31, 2018, the estimated fair value of the Company's senior notes, excluding unamortized debt issuance costs, was approximately \$623.5 million based on recent trading activity. For the remainder of the Company's long-term debt, the carrying value approximated the fair value as of December 31, 2018.

Note 15. Location Operating Expenses

Location operating expenses relate to locations that are open for member operations. The components of location operating expenses are as follows.

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Lease costs:			
Rent expense (see Note 17)	\$ 241,588	\$ 458,521	\$ 851,679
Tenancy costs	41,880	76,194	152,229
Total lease costs	283,468	534,715	1,003,908
Employee compensation and benefits (excluding stock-based compensation)	61,409	102,801	184,171
Stock-based compensation	2,032	18,718	22,793
Other location operating expenses	86,258	158,548	310,257
Total location operating expenses	<u>\$ 433,167</u>	<u>\$ 814,782</u>	<u>\$ 1,521,129</u>

Other location operating expenses primarily consist of cleaning, office, consumables, and repairs and maintenance expenses.

Note 16. Pre-opening Location Expenses

Pre-opening location expenses consist of expenses incurred before a location opens for member operations. The components of pre-opening location expenses are as follows.

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Rent expense (see Note 17)	\$ 103,613	\$ 112,851	\$ 316,168
Tenancy costs	5,357	11,684	29,402
Other pre-opening location expenses	6,779	6,789	12,261
Total pre-opening location expenses	<u>\$ 115,749</u>	<u>\$ 131,324</u>	<u>\$ 357,831</u>

Note 17. Rent Expense

Rent expense incurred before a location opens for member operations is recorded in pre-opening location expenses on the accompanying consolidated statements of operations. Once a location opens for member operations, rent expense

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is included in location operating expenses on the accompanying consolidated statement of operations. Rent expense for Meetup, Inc., Flatiron School and Conductor is included in other operating expenses on the accompanying consolidated statement of operations, while rent expense for other We Company offerings is included in growth and new market development expenses on the accompanying consolidated statement of operations. Rent expense for the Company's corporate offices is included in general and administrative expenses on the accompanying consolidated statements of operations.

A large majority of the Company's lease agreements contain provisions for free rent periods, rent escalation, tenant improvement allowances, brokerage commissions received by the Company for negotiating the Company's leases, and/or contingent rent. For leases that qualify as operating leases, the Company recognizes the associated rent expense on a straight-line basis over the term of the lease beginning on the date of initial possession, which is generally when the Company enters the leased premises and begins to make improvements in preparation for its intended use.

Rent contractually paid or payable for each period presented below represents cash payments for base and contingent rent payable under the Company's lease agreements, recorded on an accrual basis of accounting, regardless of the timing of when such amounts were actually paid.

The non-cash adjustment to record free rent periods and rent escalation clauses on a straight-line basis over the term of the lease beginning on the date of initial possession is presented as "adjustments for impact of straight-lining of rent" below.

The Company expends cash for leasehold improvements and to build out and equip its leased locations. Generally, a portion of the cost of leasehold improvements is reimbursed to us by our landlords as a tenant improvement allowance. The Company may also receive a broker commission for negotiating certain of the Company's leases. When contractually due to us, these amounts are recorded as a lease incentive receivable and an increase in the deferred rent liability on the consolidated balance sheets and then the deferred rent liability established is amortized on a straight-line basis over the lease term as a reduction to rent expense. The amortization of cash received for tenant improvement allowances and broker commissions is presented as "amortization of lease incentives" below.

Year Ended December 31, 2016						
Reported in:						
(Amounts in thousands)	Location Operating Expenses	Pre-opening Location Expenses	Other Operating Expenses	General & Administrative Expenses	Growth and New Market Development Expenses	Total
Rent contractually paid or payable	\$ 171,330	\$ 10,822	\$ —	\$ 2,355	\$ —	\$ 184,507
Adjustments for impact of straight-lining of rent	92,723	94,526	—	1,497	—	188,746
Amortization of lease incentives	(22,465)	(1,735)	—	(276)	—	(24,476)
Total rent expense	<u>\$ 241,588</u>	<u>\$ 103,613</u>	<u>\$ —</u>	<u>\$ 3,576</u>	<u>\$ —</u>	<u>\$ 348,777</u>

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Year Ended December 31, 2017						
(Amounts in thousands)	Reported in:					Total
	Location Operating Expenses	Pre-opening Location Expenses	Other Operating Expenses	General & Administrative Expenses	Growth and New Market Development Expenses	
Rent contractually paid or payable	\$ 347,305	\$ 6,973	\$ 317	\$ 4,409	\$ —	\$ 359,004
Adjustments for impact of straight-lining of rent	162,313	108,285	—	2,329	—	272,927
Amortization of lease incentives	(51,097)	(2,407)	—	(360)	—	(53,864)
Total rent expense	<u>\$ 458,521</u>	<u>\$ 112,851</u>	<u>\$ 317</u>	<u>\$ 6,378</u>	<u>\$ —</u>	<u>\$ 578,067</u>

Year Ended December 31, 2018						
(Amounts in thousands)	Reported in:					Total
	Location Operating Expenses	Pre-opening Location Expenses	Other Operating Expenses	General & Administrative Expenses	Growth and New Market Development Expenses	
Rent contractually paid or payable	\$ 672,421	\$ 51,334	\$ 4,112	\$ 14,325	\$ 277	\$ 742,469
Adjustments for impact of straight-lining of rent	268,125	268,593	36	5,209	879	542,842
Amortization of lease incentives	(88,867)	(3,759)	—	(1,208)	(1)	(93,835)
Total rent expense	<u>\$ 851,679</u>	<u>\$ 316,168</u>	<u>\$ 4,148</u>	<u>\$ 18,326</u>	<u>\$ 1,155</u>	<u>\$ 1,191,476</u>

Note 18. Income Taxes

U.S. Income Tax Reform

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduced the U.S. corporate statutory tax rate from 35% to 21%, allowed for immediate expensing of certain qualified capital property, and eliminated the net operating loss carryback but allowed for indefinite net operating loss carryforwards that can reduce up to 80% of taxable income. In addition, the Tax Act imposed a one-time mandatory tax on previously deferred foreign earnings and created a new limitation on the deductibility of interest expense.

The US Treasury issued several proposed regulations supplementing the Tax Act in 2018, including further guidance clarifying the calculation of the mandatory tax on previously unrepatriated earnings, interest expense limitations under Internal Revenue Code ("IRC") Section 163(j), application of the existing foreign tax credit rules, and expanding details for application of the base erosion tax on affiliate payments.

Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculation of the provisions of the Tax Act. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects of the Tax Act in our financial statements for the year ended December 31, 2017, as permitted under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which was also included in ASU No. 2018-05, Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 ("SAB 118"). As a result of the Tax Act, the Company recorded a U.S. deferred tax benefit of \$7.0 million for the year ended December 31, 2017. The U.S. deferred tax benefit consisted of a \$3.2 million deferred tax benefit related to the

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remeasurement of the Company's U.S. deferred tax liabilities related to indefinite-lived trademarks due to the reduction in the U.S. federal corporate tax rate, as well as a \$3.8 million deferred tax benefit related to the release of the Company's U.S. valuation allowance due to the limitation on Net Operating Loss ("NOL") utilization and changes to the NOL carryforward period introduced by the Tax Act. The remeasurement of the Company's U.S. deferred taxes due to the reduction in the U.S. federal corporate tax rate resulted in a reduction of definite-lived deferred tax assets by \$149.1 million offset by an equal release of the Company's valuation allowance, resulting in no net income impact during the year ended December 31, 2017. As we collected and prepared necessary data and interpreted additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, we made adjustments, over the course of 2018, to the provisional amounts including refinements to deferred taxes. Our accounting for these items was complete as of December 31, 2018, the end of the measurement period for purposes of SAB 118, and adjustments related to the provisional items were immaterial.

The changes to existing U.S. tax laws as a result of the Tax Act which had the most significant impact on the Company's provision for income taxes as of December 31, 2018 are as follows:

Section 163(j) - Interest Limitation

The Tax Act amended IRC Section 163(j) to further limit deductible business interest to the sum of business interest income, 30% of adjusted taxable income, and floor plan financing interest expense. Any business interest expense disallowed in the current year may be carried forward indefinitely. As a result of the change in tax law, the Company recognized a deferred tax asset of \$6.7 million, fully offset by a valuation allowance, as of December 31, 2018.

The components of pre-tax loss are as follows:

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
U.S.	\$ (331,657)	\$ (737,941)	\$ (1,162,229)
Foreign	(98,017)	(201,280)	(766,040)
Total pre-tax income loss	<u>\$ (429,674)</u>	<u>\$ (939,221)</u>	<u>\$ (1,928,269)</u>

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The Company's provision (benefit) for income taxes is as follows.

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Current tax expense (benefit):			
Federal	\$ —	\$ —	\$ —
State and local	—	—	—
Foreign	16	2,302	9,263
Total current tax expense	16	2,302	9,263
Deferred tax expense (benefit):			
Federal	—	(6,834)	(1,741)
State and local	—	(1,097)	(6,777)
Foreign	—	(98)	(1,595)
Total deferred tax expense (benefit)	—	(8,029)	(10,113)
Income tax expense (benefit)	\$ 16	\$ (5,727)	\$ (850)

The Company's effective income tax rate differed from the U.S. Federal statutory rate of 21% primarily because of the following:

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Income tax expense at the U.S. Federal tax rate (35% for 2016 & 2017, 21% for 2018)	\$ (150,386)	\$ (328,728)	\$ (404,937)
State income taxes, inclusive of valuation allowance	—	(237)	(5,354)
Effect of foreign operations	19,944	23,524	(14,355)
Stock-based compensation	4,734	82,752	4,251
Non-deductible expenses	—	—	16,196
Non-deductible financial instrument expense	—	—	27,768
Other, net	2,760	(5,485)	3,463
Effect of U.S. tax law changes	—	149,096	—
Valuation allowance	122,964	73,351	372,118
Income tax provision (benefit)	\$ 16	\$ (5,727)	\$ (850)

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Deferred income taxes reflect the effect of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. The tax effects of the temporary differences were as follows:

(Amounts in thousands)	December 31,	
	2017	2018
Deferred tax assets:		
Deferred rent	\$ 419,864	\$ 630,481
Accrued expenses	1,066	6,773
Deferred stock-based compensation	10,356	24,256
Deferred financing obligation	27,164	29,370
Unrealized gain (loss) on foreign exchange	—	14,859
Net operating loss	230,750	563,955
Interest	—	1,880
Other	3,036	5,580
Total deferred tax assets	692,236	1,277,154
Valuation allowance	(401,460)	(848,421)
Total net deferred tax assets	290,776	428,733
Deferred tax liabilities:		
Property and equipment	(271,003)	(390,240)
Finite-lived intangibles	(14,839)	(38,896)
Indefinite-lived intangibles	(8,205)	(2,164)
Unrealized gain (loss) on foreign exchange	(925)	—
Other	(273)	—
Total deferred tax liabilities	(295,245)	(431,300)
Net deferred tax liability	\$ (4,469)	\$ (2,567)

The Company records a valuation allowance in jurisdictions where it is more likely than not that deferred tax assets will not be realized. The Company's three-year cumulative loss in its operations was significant negative evidence for the Company to record a full valuation allowance in most jurisdictions; however in certain jurisdictions, the Company did not record a valuation allowance where the Company had profitable operations, or recorded only a partial valuation allowance due to the existence of deferred tax liabilities that will partially offset the Company's net operating loss carryforwards in future years. During the year ended December 31, 2018, the Company released \$8.5 million of U.S. valuation allowance due to taxable temporary differences related to U.S. acquisitions.

As of December 31, 2018, the Company had U.S. federal income tax net operating loss carryforwards of \$1.5 billion, of which \$789.7 million may be carried forward indefinitely and \$732.2 million will begin to expire starting in 2033 if not utilized. The Company had U.S. state income tax net operating loss carryforwards of \$1.2 billion with varying expiration dates, which will begin to expire starting in 2028 if not utilized. As of December 31, 2018, the Company had foreign net operating loss carryforwards of \$604.0 million (with various expiration dates), of which approximately \$313.0 million have indefinite carryforward periods.

Certain of these federal, state and foreign net operating loss carryforwards may be subject to Internal Revenue Code Section 382 or similar provisions, which impose limitations on their utilization amounts.

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The Company has not recorded deferred income taxes applicable to the undistributed earnings of its foreign subsidiary that are indefinitely reinvested in foreign operations. Any undistributed earnings will be used to fund international operations and to make investments outside of the United States. Withholding taxes may be payable on future distributions. Deferred income taxes also have not been recorded on any outside basis differences inherent in the foreign subsidiaries.

The Company went through an analysis of its various tax positions and did not identify any material uncertain tax positions for the years ended December 31, 2016, 2017 and 2018.

The Company files income tax returns in U.S. federal, U.S. state and foreign jurisdictions. All tax years remain open to examination by the taxing authorities due to the Company's NOL carryforwards.

Note 19. Convertible Preferred Stock

As of December 31, 2016, 2017 and 2018, the Company had outstanding the following series of convertible preferred stock, each par value \$0.001 per share:

(Amounts in thousands)	December 31, 2016		December 31, 2017	
	Shares Issued and Outstanding	Carrying Amount	Shares Issued and Outstanding	Carrying Amount
Series A	38,393	\$ 17,350	38,393	\$ 17,350
Series B	22,165	40,995	22,165	40,995
Series C	28,070	154,699	28,404	154,699
Series D-1	11,939	198,541	11,939	198,541
Series D-2	9,380	155,996	9,380	155,996
Series E	13,194	433,507	13,194	433,507
Series F	13,759	675,913	13,759	675,913
Series G	—	—	33,065	1,727,134
Acquisition	—	—	—	—
Junior	2	1,300	2	1,300
Total	136,902	\$ 1,678,301	170,301	\$ 3,405,435

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December 31, 2018					
(Amounts in thousands, except per share amounts)	Conversion Price per Share	Liquidation Preference	Shares Authorized	Shares Issued and Outstanding	Carrying Amount
Series A	\$0.46	\$ 17,500	38,393	38,393	\$ 17,350
Series B	1.85	41,039	22,165	22,165	40,995
Series C	5.36	152,227	29,189	28,404	154,699
Series D-1	16.65	198,800	11,939	11,939	198,541
Series D-2	16.65	156,200	9,381	9,380	155,996
Series E	32.89	433,934	13,194	13,194	433,507
Series F	50.19	690,612	14,942	13,759	675,913
Series G	57.90	2,017,338	34,742	33,114	1,729,997
Acquisition	72.65	102,272	13,900	1,408	90,398
Junior	866.67	1,300	2	2	1,300
Total		<u>\$ 3,811,222</u>	<u>187,847</u>	<u>171,758</u>	<u>\$ 3,498,696</u>

On various dates during the year ended December 31, 2016, the Company issued and sold an aggregate of 13,759,327 shares of its Series F Preferred Stock and approximately 250,000 warrants for the purchase of shares of Class A Common Stock at \$0.001 for total net proceeds of \$679.9 million (the "Series F Financing"). Approximately \$675.9 million of the net proceeds were allocated to the Series F Preferred Stock and the remaining \$4.0 million were allocated to the issuance of the warrants, recorded through additional paid-in capital.

During the year ended December 31, 2017, the Company issued and sold an aggregate of 32,812,199 shares of its Series G Preferred Stock for net proceeds of \$1,697.8 million ("Series G Financing") and issued a total of 251,968 shares of Series G Preferred Stock in connection with acquisitions.

The Series G Financing closed in three tranches during the year ended December 31, 2017. Per the terms of the agreement, if the second closing did not occur on or before June 30, 2017, the investor was required to purchase the shares at a price above fair market value. This legally binding commitment represented a forward option to sell 11.5 million shares of Series G Preferred Stock at a purchase price above its fair market value ("Tranche Right") as of June 30, 2017. The Tranche Right was able to be legally separated and transferred to a party separate from the holder of the initial Series G Preferred Stock and was considered legally detachable from the Series G Preferred Stock. As such, the instrument was separately exercisable, as the execution of the June 2017 closing did not extinguish or otherwise impact the initial Series G Preferred Stock issued. Both criteria made the Tranche Right a freestanding instrument. Although the Tranche Right was to issue preferred stock rather than an obligation to repurchase the stock, the underlying shares of Series G Preferred Stock are redeemable upon the occurrence of an event outside the Company's control, and thus the Tranche Right represented an obligation to repurchase shares pursuant to liability accounting.

The Company recorded the \$94.6 million fair market value of the Tranche Right forward option as an other investment on its balance sheet as of June 30, 2017, with a corresponding increase to income from equity method and other investments during the three months ended June 30, 2017 on the accompanying statement of operations. During the three months ended September 30, 2017, the Tranche Right was redeemed and reduced the carrying value of the Series G Preferred Stock by \$94.6 million.

During the fourth quarter of 2017, the investor and the Company closed a third tranche of Series G Financing. The agreement allowed the investor to purchase an additional 11.5 million shares of Series G Preferred Stock at a purchase price below the fair market value per share. This was considered a non-arm's-length transaction as the investor is a significant shareholder of the Company. The third tranche of Series G Financing closed on October 25,

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2017 and resulted in a \$(111.0) million loss included in income (loss) from equity method and other investments during the three months ended December 31, 2017. The Company recorded a total net loss of \$(16.4) million during the year ended December 31, 2017 in conjunction with the three Series G Financing closings.

In connection with a tender offer that occurred during the year ended December 31, 2017, the Company approved a partial conversion of a \$6.0 million convertible note that was convertible into 1,119,530 shares of Series C Preferred Stock. The Company issued 334,228 shares of Series C Preferred Stock in connection with this partial conversion. The original \$6.0 million convertible note was included as a component of the carrying amount of the Series C Preferred Stock upon its inception during 2014. As of December 31, 2017 and 2018, the remaining balance of the convertible note, included as a component of the carrying amount of the Series C Preferred Stock, is \$4.2 million and represents the right to convert into 785,302 shares of Series C Preferred Stock.

In March 2018, the Board of Directors of the Company designated 13,900,000 shares of authorized preferred stock as Acquisition Preferred Stock ("Acquisition Preferred Stock") which may be divided and issued from time to time in one or more series as designated by the Board of Directors. During the year ended December 31, 2018, the Board of Directors designated 1,600,000 shares of Acquisition Preferred Stock as Series AP-1 Acquisition Preferred Stock ("Series AP-1") and 40,000 shares of Acquisition Preferred Stock as Series AP-2 Acquisition Preferred Stock ("Series AP-2"). During the year ended December 31, 2018, the Company issued a total of 1,407,796 shares of Acquisition Preferred Stock in connection with the acquisitions discussed in Note 6.

During the year ended December 31, 2018, the Company issued a total of 49,152 shares of Series G Preferred Stock in connection with the release of equity holdback amounts related to acquisitions.

The Series A, B, C, D-1, D-2, E, F and G Preferred Stock are referred to as the "Senior Preferred Stock". The rights and preferences of the Senior Preferred Stock, Acquisition Preferred Stock, and Junior Preferred Stock are as follows:

Conversion—The Senior Preferred Stock and Acquisition Preferred Stock are convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Class A Common Stock as is determined by dividing the original issue price for such series of preferred stock by the conversion price for such series of preferred stock in effect at the time of conversion. The conversion price for each series of Senior Preferred Stock and Acquisition Preferred Stock was initially equal to the original issue price for such series of Senior Preferred Stock or Acquisition Preferred Stock, respectively, subject to adjustment as provided in the Company's restated certificate of incorporation. As of December 31, 2018, all shares of Senior Preferred Stock and Acquisition Preferred Stock are convertible into shares of Class A Common Stock on a one-to-one basis and all shares of Junior Preferred Stock are convertible into shares of Class B Common Stock on a one-to-one basis.

Upon either (a) the closing of the sale of shares of Class A Common Stock to the public in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$250.0 million of gross proceeds to the Company (a "Qualifying IPO"), or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Senior Preferred Stock (voting together as a single class on an as converted to common stock basis), all outstanding shares of preferred stock of the Company will automatically be converted into shares of Class A Common Stock, at the then-effective conversion rate for such series of preferred stock (subject to certain additional consent rights in favor of holders of each of the Series C Preferred Stock, Series D-1 and D-2 Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock and Acquisition Preferred Stock), and such shares may not be reissued by the Company. For purposes of this conversion, each share of Junior Preferred Stock will convert into the number of shares of Class B Common Stock equal to the original issue price of the Junior Preferred Stock divided by the price per share of common stock issued in connection with a Qualifying IPO.

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Redemption—The Senior Preferred Stock, Acquisition Preferred Stock, and Junior Preferred Stock are not redeemable at the option of any holder thereof (except in limited circumstances as set forth in the Company's restated certificate of incorporation).

Voting—The holders of Senior Preferred Stock and Acquisition Preferred Stock have the right to one vote for each share of Class A Common Stock into which such Senior Preferred Stock or Acquisition Preferred Stock could then be converted, except as expressly provided by the Company's restated certificate of incorporation or as provided by law. Except as expressly provided by the Company's restated certificate of incorporation or as provided by law, the holders of Class A Common Stock, Class B Common Stock, Senior Preferred Stock and Acquisition Preferred Stock vote together as a single class on an as converted to common stock basis on all matters upon which holders of Class A Common Stock, Class B Common Stock, Senior Preferred Stock and Acquisition Preferred Stock have the right to vote.

At any time when a specified number of shares of Senior Preferred Stock are outstanding, the Company may not take certain enumerated actions without (in addition to any other vote required by law or the Company's restated certificate of incorporation) the written consent or affirmative vote of the holders of at least a majority or two-thirds of the then outstanding shares of Senior Preferred Stock, consenting or voting (as the case may be) separately as a class on an as converted to common stock basis.

Additionally, at any time when a specified number of shares of Acquisition Preferred Stock are outstanding, the Company may not take certain enumerated actions without (in addition to any other vote required by law or the Company's restated certificate of incorporation) the holders of at least a majority of the then outstanding shares of Acquisition Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class on an as converted to Common Stock basis.

The holders of the shares of Series A Preferred Stock and Series F Preferred Stock, exclusively and as a separate class, are each entitled to elect one director of the Company, the holders of the shares of Class B Common Stock, exclusively and as a separate class, are entitled to elect five directors of the Company, and the holders of the shares of Series G Preferred Stock, exclusively and as a separate class are entitled to elect two directors of the Company. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. The holders of record of the common stock and of any other class of voting stock, exclusively and voting together as a single class on an as-converted to common stock basis, are entitled to elect the balance of the total number of directors of the Company. Except as provided by law or by the other provisions of the Company's restated certificate of incorporation, holders of the Junior Preferred Stock are not entitled to vote on any matter presented to the stockholders.

Dividends—Dividends on the Senior Preferred Stock are noncumulative and are payable when and if declared by the Company's Board of Directors, and prior and in preference to any declaration or payment of dividends on any other series or class of capital stock. After dividends in the full preferential amount are paid to the holders of Senior Preferred Stock, any additional dividends declared by the Company's Board of Directors shall be declared ratably among all holders of Common Stock, Senior Preferred Stock and Acquisition Preferred Stock, pro rata based on the number of shares held by each holder on an as converted basis. The holders of Junior Preferred Stock are not entitled to receive any dividends.

Anti-Dilution—The conversion ratio for the Senior Preferred Stock is adjusted on a broad weighted-average basis in the event of an issuance (or deemed issuance) below the applicable Senior Preferred Stock price, as adjusted.

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Liquidation—In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or certain mergers, consolidations or asset sales:

- First, the holders of shares of each series of Senior Preferred Stock then outstanding are entitled to be paid out of the assets of the Company, on a *pari passu* basis, but before any payment is made to the holders of Junior Preferred Stock, Acquisition Preferred Stock or common stock, an amount per share equal to the greater of (i) the applicable original issue price for such series of Senior Preferred Stock or (ii) such amount per share as would have been payable had all shares of such series of Senior Preferred Stock been converted into Class A Common Stock in accordance with the Company's restated certificate of incorporation immediately prior to such transaction;
- Second, after the payment of all preferential amounts required to be paid to the holders of shares of Senior Preferred Stock, the holders of shares of Acquisition Preferred Stock and Junior Preferred Stock then outstanding are entitled to be paid out of the assets of the Company, before any payment is made to the holders of common stock, an amount per share equal to the original issue price for the Junior Preferred Stock and in the case of Acquisition Preferred Stock, an amount per share equal to the greater of (i) the applicable original issue price for such series of Acquisition Preferred Stock or (ii) such amount per share as would have been payable had all shares of such series of Acquisition Preferred Stock been converted into Class A Common Stock in accordance with the Company's restated certificate of incorporation immediately prior to such transaction, and
- Third, after the payment of all preferential amounts required to be paid to the holders of shares of Senior Preferred Stock, Junior Preferred Stock, and Acquisition Preferred Stock, the remaining assets of the Company will be distributed among the holders of shares of common stock, pro rata based on the number of shares held by each such holder.

Stockholders' Agreement—Pursuant to the terms of an amended and restated stockholders' agreement, no transfers by any of the parties are permitted other than certain permitted transfers described in the stockholders' agreement. Certain major investors have a right of first refusal and right of co-sale, on a pro rata basis and subordinate to the Company's right of first refusal, on transfers of any stock held by certain parties to the stockholders' agreement.

Note 20. Shareholders' Equity

Common Stock—Each share of Class B Common Stock is convertible, at the option of the holder thereof, at any time, into one fully paid and nonassessable share of Class A Common Stock. Shares of Class B Common Stock also automatically convert into shares of Class A Common Stock in the event of a transfer (other than in the case of certain permitted transfers).

The holders of the shares of Class A Common Stock are entitled to one vote per share and the holders of the shares of Class B Common Stock are entitled to ten votes per share. The holders of the shares of Class B Common Stock, exclusively and as a separate class, are also entitled to elect five directors of the Company. All classes of common stock are ranked equally and are entitled to the same treatment with respect to cash dividends and the same rights to participate in the distribution of proceeds upon liquidation, sale or dissolution of the Company.

On March 22, 2018, the Company amended its restated certificate of incorporation to increase the total authorized number of shares of Class A Common Stock from 459,934,875 to 479,934,875 shares.

Warrants—As of December 31, 2018, outstanding warrants to acquire shares of the Company's stock were as follows:

Convertible Into	Number of Shares	Exercise Price	Expiration Date
Class A Common Stock	6,128	\$ 13.12	July 31, 2025
Class A Common Stock	250,000	\$ 0.001	February 8, 2026
	<u>256,128</u>		

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During the year ended December 31, 2018, certain warrant holders exercised warrants and acquired an aggregate of 1,577,434 shares of Class B Common Stock. The Company received \$0.6 million in proceeds from these warrant exercises.

2018 Warrant Issued to Related Party—On November 1, 2018, the Company entered into a warrant agreement with SBWW Cayman, an affiliate of which is a principal stockholder with representation on the Company's board of directors, pursuant to which the Company agreed to issue shares of the Company's capital stock (the "2018 warrant"). Under the terms of the 2018 warrant, in exchange for the issuance of the Company's capital stock in the future, SBWW Cayman will make a payment of \$1.5 billion on each of January 15, 2019 and April 15, 2019. The Company may elect to cancel either of these payments on the date such payment is due. The Company may also elect to defer the January 15, 2019 payment to April 15, 2019. Unless earlier exercised in connection with a Qualifying IPO, a qualifying preferred stock financing, a sale of the Company or certain insolvency events, the right of SBWW Cayman to receive shares of the Company's capital stock will be automatically exercised on September 30, 2019 at a per-share price of \$110. During the year ended December 31, 2018, the Company recognized a capital contribution of \$69.0 million and an equal off-setting amount within additional paid-in capital representing the fair value of the arrangement prior to being drawn. The measurement of the 2018 warrant is considered to be a Level 3 fair value measurement, as it was determined using observable and unobservable inputs. This 2018 warrant was amended in January 2019, see Note 26 for additional details regarding this subsequent event.

2017 Tender Offer—In October 2017, with the approval of the Company, an investor executed a \$1.3 billion tender offer for acquisition of all eligible outstanding convertible preferred and common stock, including the shares underlying exercisable options, warrants and convertible notes of the Company. Holders of Series G Preferred Stock and Junior Preferred Stock were not eligible to participate in this offering.

At the close of the tender offer, 22,871,249 shares of Class A Common Stock were acquired by the investor for \$949.0 million. All shares of Class B Common Stock sold in the tender offer were, in accordance with their terms, converted to shares of Class A Common Stock prior to their transfer to the investor. In addition, 7,968,505 shares of Senior Preferred Stock were acquired by the investor for \$351.0 million. The convertible preferred stock acquired in this offering retained their original rights and preferences.

Of the 22,871,249 shares of Class A Common Stock, 9,415,659 shares were acquired from employees of the Company at a price of \$51.81 per share, which resulted in \$271.0 million of additional stock-based compensation expense during the year ended December 31, 2017.

Common Stock Repurchase—In November 2018, the Company's board of directors approved the repurchase from an employee of 204,580 shares of Class B Common Stock (including shares underlying vested and exercisable options) at a price of \$51.81 per share. As the repurchase price was above the fair market value of the shares acquired, this repurchase resulted in \$10.4 million of additional stock-based compensation expense during the year ended December 31, 2018.

Nonrecourse Stockholder Loans—On May 30, 2013, the Company issued Stockholder Loans (the "2013 Stockholder Loans") totaling \$10.4 million maturing on May 30, 2016, with interest due at a rate of 0.2% per annum. The 2013 Stockholder Loans were collateralized with an aggregate of 14,559,510 shares of the Company's common stock owned by the borrowers (the "2013 Collateral Shares"). The 2013 Collateral Shares were fully vested shares received by the borrowers prior to the transaction in exchange for services previously rendered to the Company.

The 2013 Stockholder Loans also provided the Company the option to purchase 5,599,845 of the 2013 Collateral Shares for \$1.85 per share ("Purchased Call Option"), subject to the terms and conditions of the loan agreements. In May 2016 the Company purchased and retired the 5,599,845 shares and settled the 2013 Stockholder Loans by exercising its Purchased Call Option. As a result, the liability component related to the Purchase Call Option was settled through an increase to additional paid in capital in the amount of \$6.4 million in May 2016.

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On February 4, 2014, the Company issued additional loans to certain stockholders (the "2014 Stockholder Loans") totaling \$15.0 million maturing on February 4, 2017 with interest due at a rate of 0.2% per annum. The 2014 Stockholder Loans were collateralized with an aggregate of 2,798,825 shares of the Company's common stock owned by the borrowers (the "2014 Collateral Shares"). The 2014 Collateral Shares were fully vested shares received by the borrowers prior to the transaction in exchange for services previously rendered to the Company. The 2014 Stockholder Loans also provided the Company the option to purchase the 2014 Collateral Shares at the same price underlying the 2014 Stockholder Loans, subject to the terms and conditions of the loan agreements. In May 2016 the Company exercised its option, purchased and retired the 2,798,825 shares and the 2014 Stockholder Loans were settled.

Note 21. Stock-Based Compensation

Effective May 31, 2013, the Company adopted an equity-based compensation plan, the 2013 Stock Incentive Plan, as amended (the "2013 Plan"), authorizing the grant of equity-based awards (including stock options and restricted stock) to its management, employees, non-employee directors and other non-employees. The total number of shares of Class B Common Stock that could be granted under the 2013 Plan was 37,689,450.

Effective February 4, 2015, the Company adopted a second equity-based compensation plan, the 2015 Equity Incentive Plan, as amended (the "2015 Plan"), authorizing the grant of equity-based awards (including stock options, restricted stock and restricted stock units) to its management, employees, non-employee directors and other non-employees. Following the adoption of the 2015 Plan, no further grants were made under the 2013 Plan. On June 12, 2018, the Company amended and restated the 2015 Plan to increase the total number of shares of common stock that are reserved for grant and issuance under the 2015 Plan to 32,392,596. As of December 31, 2018, 2,118,006 shares of Class A Common Stock remained available for further grants under the 2015 Plan.

Stock Options—Stock options outstanding consist primarily of time-based options to purchase Class A or Class B Common Stock, the majority of which vest over a five-year period and have a ten-year contractual term. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company and, with respect to certain awards, satisfaction of various performance criteria.

The following table summarizes the stock option activity during the year ended December 31, 2018.

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2017	26,856,354	\$ 9.55	7.2	\$ 453,814
Granted	11,802,852	\$ 26.65		
Exercised	(558,330)	\$ 5.46		
Forfeited/canceled	(2,355,935)	\$ 23.08		
Outstanding, December 31, 2018	35,744,941	\$ 14.37	7.1	\$ 809,823
Exercisable, December 31, 2018	20,498,594	\$ 7.33	5.9	\$ 608,770
Vested and expected to vest, December 31, 2018	35,134,190	\$ 14.11	7.1	\$ 805,328
Vested and exercisable, December 31, 2018	19,791,046	\$ 7.34	5.9	\$ 587,646

The weighted-average grant date fair value of options granted during the years ended December 31, 2016, 2017 and 2018 were \$7.80, \$10.31 and \$11.51, respectively.

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The Company estimates the fair value of stock option awards granted using the Black-Scholes Model and a single option award approach. The assumptions used to value stock options issued during the years ended December 31, 2016, 2017 and 2018, were as follows:

	Year Ended December 31,		
	2016	2017	2018
Fair value of common stock	\$ 18.98 - 21.57	\$ 21.57 - 26.45	\$ 26.45 - 26.75
Weighted average expected term (years)	6.28	6.42	6.19
Weighted average expected volatility	40.0%	40.0%	40.0%
Risk-free interest rate	1.03 - 2.23%	1.78 - 2.32%	2.41 - 2.99%
Dividend yield	—	—	—

For the years ended December 31, 2016, 2017 and 2018, the Company recorded total stock-based compensation expense of \$12.0 million, \$16.9 million and \$44.3 million, respectively, related to stock options awarded to employees and non-employee directors. As of December 31, 2016, 2017 and 2018, the unrecognized stock-based compensation expense from outstanding options awarded to employees and non-employee directors was approximately \$32.2 million, \$71.5 million and \$136.9 million, respectively, expected to be recognized over a weighted-average period of approximately 3.9 years, 4.2 years and 3.9 years, respectively. For the years ended December 31, 2017 and 2018, the tax benefit realized from stock options exercised was \$70.0 million and \$13.1 million, respectively.

For the years ended December 31, 2016, 2017 and 2018, the Company recorded \$0.7 million, \$1.3 million and \$1.1 million, respectively of general and administrative expenses related to stock options awarded to non-employee contractors for services rendered. For the year ended December 31, 2018, the Company also recorded \$1.9 million of growth and new market development expenses related to stock options awarded to non-employee contractors for services rendered. As of December 31, 2016, 2017 and 2018, there was \$3.4 million, \$4.5 million and \$8.1 million of total unrecognized expense related to stock options awarded to contractors expected to be recognized over a weighted-average period of approximately 3.4 years, 3.4 years and 4.2 years, respectively.

For the years ended December 31, 2016, 2017 and 2018, the Company recognized none, \$0.9 million, and \$1.1 million, respectively, of charges for stock options awarded to non-employees relating to goods received and services provided that was capitalized and recorded as a component of property and equipment on the accompanying consolidated balance sheets. As of December 31, 2017, and 2018, there was \$1.0 million and \$1.2 million of total unrecognized cost related to these stock options expected to be recognized over a weighted-average period of approximately 3.3 years and 2.3 years, respectively.

Early Exercise of Stock Options—The Company allows certain employees and directors to exercise stock options granted under the 2013 Plan prior to vesting. The shares received as a result of the early exercise of unvested stock options are subject to a repurchase right by the Company at the original exercise price for a period equal to the original vesting period.

During 2014, certain individuals early exercised stock options prior to vesting; however, in lieu of the cash consideration required to exercise the stock options, these individuals each provided a 1.9% interest bearing recourse note, for an aggregate of \$2.5 million, \$2.7 million and \$2.7 million as of December 31, 2016, 2017 and 2018, respectively. As a result of the early exercises, the individuals received shares of restricted Class B Common Stock which will vest over a specified period of time (which period of time is consistent with the original vesting schedule of the stock options grant). The restricted Class B Common Stock is subject to repurchase at the original exercise price by the Company over the original vesting term. The recourse notes mature in November 2023 and are included as a component of equity.

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Restricted Stock—Grants of the Company's restricted stock or restricted stock units consist primarily of time-based awards that are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company. Certain awards contain additional performance conditions for vesting described below.

During 2015, certain executives of the Company were issued 440,864 shares of restricted Class A Common Stock and 500,000 shares of restricted Class B Common Stock in exchange for recourse promissory notes with principal balances totaling \$10.2 million, \$6.2 million and \$5.6 million as of December 31, 2016, 2017 and 2018, respectively. These restricted shares of Class A Common Stock vest primarily over a five year period. The recourse promissory notes pay interest rates ranging from 1.6% to 1.8% and have maturities of approximately nine years and are recorded as a component of equity. In addition, during 2015 one of the officers also paid \$0.7 million for another 90,000 shares of restricted Class B Common Stock, of which 45,000 vested immediately and the remainder vest ratably over the 13th month through the 36th month period from the date of acquisition or exercise. As of December 31, 2018, the full 90,000 shares were vested. During the year ended December 31, 2018, the Company forgave \$0.6 million of principal balance of the recourse promissory notes and recognized the forgiveness amount as a component of general and administrative expense on the accompanying consolidated statement of operations.

In June 2018, certain executives of the Company were issued 756,039 shares of restricted Class A Common Stock in exchange for recourse promissory notes with principal balances totaling \$20.2 million as of December 31, 2018. These restricted shares vest over a five year period and are subject to repurchase by the Company during the vesting period at the original issue price. The recourse notes pay interest rates ranging from 2.5% to 2.9% and have maturities of between seven to nine years and are recorded as a component of equity.

The Company reflects restricted stock and restricted stock units as issued and outstanding shares of common stock when vested and when the Class A Common Stock or Class B Common Stock has been delivered to the individual. The following table summarizes the Company's restricted stock and restricted stock unit activity for the year ended December 31, 2018:

	Shares	Weighted Average Grant Date Value
Unvested, December 31, 2017	2,922,520	\$ 19.66
Granted ⁽¹⁾	2,926,215	26.62
Vested ^{(2) (3)}	(792,036)	20.65
Forfeited/canceled	(215,517)	26.45
Unvested, December 31, 2018 ⁽⁴⁾	4,841,182	\$ 23.42

- (1) Includes (a) 1,603,106 restricted stock units granted during the year ended December 31, 2018, which will vest over a five to seven year employment service period, only if and when an initial public offering or Acquisition (as defined in the 2015 Plan) occurs within seven to ten years of the date of grant, (b) 343,965 restricted stock units granted during the year ended December 31, 2018 that previously required an occurrence of an initial public offering or Acquisition (as defined in the 2015 Plan) to vest but were modified during the year ended December 31, 2018 to vest over a three year service period and (c) 979,144 restricted stock units granted during the year ended December 31, 2018 that vest over a five year service period.
- (2) Includes 157,746 restricted stock units which vested during the year ended December 31, 2018, however the underlying common shares have not been issued to the individual. As of December 31, 2018, a total of \$7.6 million (relating to 349,140 shares of previously vested restricted stock units that have not been settled) was included as a component of additional paid-in capital on the accompanying balance sheet.
- (3) Includes 60,345 restricted stock units which vested during the year ended December 31, 2018 in which the employee had elected to cash-settle the award upon vesting. The Company made cash payments totaling \$3.5 million during the year ended December 31, 2018 for these cash-settled restricted stock units.
- (4) The unvested balance includes a total of 1,953,102 restricted stock and restricted stock units that will vest over their remaining service period and 2,888,080 restricted stock units that will vest annually over a three to seven year employment service period, only if and when an initial public offering or Acquisition (as defined in the 2015 Plan) occurs within seven to ten years of the date of grant.

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The fair value of restricted stock that vested during the years ended December 31, 2016, 2017 and 2018 was \$38.2 million, \$18.5 million and \$29.3 million, respectively.

For the years ended December 31, 2016, 2017 and 2018, the Company recorded total stock-based compensation expense of \$10.7 million, \$7.6 million and \$14.7 million, respectively, related to restricted stock and restricted stock units awarded to employees and non-employee directors. As of December 31, 2016, 2017 and 2018, there was \$32.3 million, \$24.3 million and \$27.1 million, respectively, of total unrecognized stock-based compensation expense related to unvested restricted stock and restricted stock units awarded to employees and non-employee directors expected to be recognized over a weighted-average period of approximately 3.7 years, 3.1 years and 3.0 years, respectively.

For the years ended December 31, 2016, 2017 and 2018, the Company recorded \$0.9 million, \$1.2 million and \$1.6 million of general and administrative expenses, respectively, associated with restricted stock issued to non-employee contractors for services rendered. As of December 31, 2016, 2017 and 2018, there was \$1.3 million, \$1.3 million and none, respectively, of total unrecognized expense related to unvested restricted stock awarded to contractors expected to be recognized over a weighted-average period of approximately 1.9 years, 0.7 years and 0.0 years, respectively.

Total Stock-Based Compensation Expense—The total of all stock-based compensation expense related to employees and non-employee directors are reported in the following financial statement line items:

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Stock-based compensation included in:			
Location operating expenses	\$ 2,032	\$ 18,718	\$ 22,793
Other operating expenses	—	355	4,522
Sales and marketing expenses	775	4,244	6,343
Growth and new market development expenses	2,486	11,383	17,723
General and administrative expenses	17,367	260,662	18,019
Total stock-based compensation expense	<u>\$ 22,660</u>	<u>\$ 295,362</u>	<u>\$ 69,400</u>

Stock-Based Awards to Non-Employees—From time to time, the Company issues common stock, restricted stock or stock options to acquire common stock to non-employee contractors for services rendered. The stock options and shares of the common stock granted, vested, exercised, forfeited/canceled during the year ended December 31, 2018 are included in the above tables together with the employee awards.

Stock options granted in 2016 to non-employees included an option to purchase 500,000 shares of Class A Common Stock that will vest upon the achievement of certain member count and profitability-based targets that must be met during a four year vesting period and an option to purchase up to 120,000 shares of Class A Common Stock determined quarterly by a vesting schedule that evaluates the average price per usable square foot for accepted goods in comparison to a benchmark average price as set out in the option agreement. In February 2018, the non-employee with the option to purchase 500,000 shares of Class A Common Stock converted to an employee, and the vesting conditions of the option awards remained unchanged.

The tables above do not include any grants of restricted shares in the Company's consolidated subsidiaries. In April 2017, one of the Company's consolidated subsidiaries, ChinaCo, granted a shareholder, in connection with services to be provided by a consultant affiliated with such shareholder, the right to subscribe to 10,000,000 of ChinaCo's Class A ordinary shares which will vest annually over a five year period and had a grant date value of \$3.51 per ChinaCo Class A ordinary share. The consultant is also a member of the Company's and ChinaCo's board of

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directors; however, the services required per the terms of grant are greater in scope than the individual's responsibilities as a standard director. As of December 31, 2018, two million of these shares were vested and issued. During the years ended December 31, 2016, 2017 and 2018, the Company recorded none, \$4.8 million, and \$14.4 million, respectively, of general and administrative expenses, associated with the rights to subscribe to ChinaCo Class A ordinary shares granted to non-employee contractors for services rendered. This expense was recorded as an increase in the equity allocated to noncontrolling interests on the Company's consolidated balance sheet as of December 31, 2018. As of December 31, 2018, there was \$60.1 million of total unrecognized expense related to unvested ChinaCo ordinary shares expected to be recognized over a weighted-average period of approximately 3.3 years.

In December 2018, one of the Company's consolidated subsidiaries, PacificCo, entered into an agreement for the Company to operate workspaces within spaces leased by the counterparty in the region. As part of the arrangement, the Company will issue PacificCo Class B ordinary non-voting shares to the counterparty upon achievement of certain performance milestones based on the amount of usable square feet leased by the counterparty that are ultimately used to operate our workspaces. The milestone consideration is subject to an aggregate cap of \$20.0 million of PacificCo Class B non-voting ordinary shares. The maximum number of shares eligible for vesting will be determined based on the \$20.0 million divided by \$10.00 per share or if the PacificCo ordinary shares are listed on a national exchange or trading system, the average closing price of the ordinary shares for 30 days prior to the date such shares are issued. As of the December 2018 grant date, the PacificCo Class B ordinary shares had a fair value of \$4.93 per share. The Company accrues expense when the achievement of the performance milestones becomes probable, and has not recognized any expense in relation to this arrangement during the year ended December 31, 2018.

Note 22. Net Loss Per Share

We compute net loss per share of Class A common stock and Class B common stock under the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share in our net losses.

Our participating securities includes Series A, B, C, D-1, D-2, E, F, G and Acquisition Preferred Stock, as the holders of these series of preferred stock are entitled to receive a noncumulative dividend on a *pari passu* basis in the event that a dividend is paid on common stock, and holders of certain vested RSUs that have a non-forfeitable right to dividends in the event that a dividend is paid on common stock. The holders of our Junior Preferred Stock are not entitled to receive dividends and are not included as participating securities. The holders of Series A, B, C, D-1, D-2, E, F, G and Acquisition Preferred Stock as well as the holders of certain vested RSUs with a non-forfeitable right to dividends, do not have a contractual obligation to share in our losses. As such, our net losses for the years ended December 31, 2016, 2017 and 2018 were not allocated to these participating securities.

Basic net loss per share is computed by dividing net loss attributable to WeWork Companies Inc. attributable to its Class A common and Class B common stockholders by the weighted-average number of shares of our Class A common stock and Class B common stock outstanding during the period.

For the computation of diluted net loss per share, net loss per share attributable to common stockholders for basic net loss per share is adjusted by the effect of dilutive securities, including awards under our equity compensation plans. Diluted net loss per share attributable to common stockholders is computed by dividing the resulting net loss attributable to WeWork Companies Inc. attributable to its Class A common and Class B common stockholders by the weighted-average number of fully diluted common shares outstanding. In the years ended December 31, 2016, 2017 and 2018, our potential dilutive shares, such as stock options, restricted stock, RSUs, warrants, convertible notes, and shares of convertible Series A, B, C, D-1, D-2, E, F, G, Acquisition and Junior Preferred Stock were not included in the computation of diluted net loss per share as the effect of including these shares in the computation would have been anti-dilutive.

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The numerators and denominators of the basic and diluted net loss per share computations for our common stock are calculated as follows for the years ended December 31, 2016, 2017 and 2018:

(Amounts in thousands, except share and per share data)	Year Ended December 31,		
	2016	2017	2018
Numerator:			
Net loss attributed to WeWork Companies Inc.	\$ (429,690)	\$ (883,994)	\$ (1,610,792)
Net loss attributable to Class A and Class B common stockholders . . .	\$ (429,690)	\$ (883,994)	\$ (1,610,792)
Denominator:			
Basic shares:			
Weighted-average shares - Basic	161,324,940	159,689,116	163,148,918
Diluted shares:			
Weighted-average shares - Diluted	161,324,940	159,689,116	163,148,918
Net loss per share attributable to Class A and Class B common stockholders:			
Basic	\$ (2.66)	\$ (5.54)	\$ (9.87)
Diluted	\$ (2.66)	\$ (5.54)	\$ (9.87)

The following table presents the total weighted-average number of potentially dilutive shares that were excluded from the computation of diluted net loss per share attributable to Class A and Class B common stockholders because their effect would have been anti-dilutive for the periods presented:

	Year Ended December 31,		
	2016	2017	2018
Convertible Preferred Stock Series A, B, C, D-1, D-2, E, F, G, and Acquisition	130,262,290	150,447,821	171,369,355
Convertible Preferred Stock Series Junior	1,500	1,500	1,500
Convertible notes	1,119,530	1,065,504	3,848,814
Stock options not subject to performance conditions	12,046,959	16,087,094	16,023,662
Unvested restricted stock/RSUs not subject to performance conditions	1,874,389	607,695	955,301
Vested RSUs with non-forfeitable dividend rights	—	43,605	272,185
Warrants	2,528,340	2,355,035	1,178,715

Pro Forma Net Loss Per Share (Unaudited)

The unaudited pro forma basic and diluted net loss per share attributable to Class A and Class B common stockholders for the year ended December 31, 2018 has been prepared to give effect to adjustments to the numerator in the pro forma basic and diluted net loss per share calculation to:

- remove the effect of interest expense and amortization of debt discount for the Convertible Note;
- remove gains or losses resulting from the remeasurement of the embedded derivative related to the Convertible Note,

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The unaudited pro forma net basic and diluted net loss per share attributable to Class A and Class B common stockholders for the year ended December 31, 2018 has been prepared to give effect to adjustments to the denominator in the pro forma basic and diluted net income per share calculation to give effect to:

- the automatic conversion of all outstanding convertible preferred stock into Class A common stock other than our Junior Preferred Stock which automatically converts to Class B common stock in connection with a qualifying initial public offering. The Company used the if-converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later;
- the automatic conversion of our Convertible Note and series C convertible note that ultimately automatically convert into Class A common stock at a conversion price of \$110 per share and \$5.36 per share, respectively;
- the issuance of common stock upon the vesting and settlement of RSUs for which the service-based vesting condition was satisfied as of December 31, 2018 and the qualifying event-based vesting condition will be satisfied in connection with an IPO.

The liquidation and dividend rights are identical among Class A and Class B common stock, and both classes of common stock share equally in our earnings and losses.

The numerators and denominators of the basic and diluted pro forma net loss per share computations for our common stock are calculated as follows for the year ended December 31, 2018:

(Amounts in thousands, except share and per share data)	Year Ended December 31, 2018
Numerator:	
Net loss attributable to WeWork Companies Inc. as reported	\$ (1,610,792)
Add: interest expense and amortization of debt discount for Convertible Note	22,359
Add: change in fair value of embedded redemption derivative liability	97,587
Net loss attributable to Class A and Class B common stockholders for pro forma computation	<u>\$ (1,490,846)</u>
Denominator	
Basic shares:	
Weighted-average shares outstanding used for basic net loss per share computation	163,148,918
Pro forma adjustment to reflect assumed conversion of Series A, B, C, D-1, D-2, E, F, G, and Acquisition preferred stock to Class A common stock	171,369,355
Pro forma adjustment to reflect assumed conversion of convertible notes to Class A common stock	3,848,814
Pro forma adjustment to reflect assumed conversion of Junior Preferred Stock to Class B common stock	1,500
Number of shares used for pro forma basic net loss per share computation	<u>338,368,587</u>
Diluted shares:	
Weighted-average shares - Diluted	<u>338,368,587</u>
Pro forma net loss per share attributable to Class A and Class B common stockholders:	
Basic	<u>\$ (4.41)</u>
Diluted	<u>\$ (4.41)</u>

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Note 23. Commitments and Contingencies

Lease Commitments--

Operating Leases

Future minimum rental payments under operating leases, inclusive of escalation clauses and exclusive of contingent rent payments, that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2018 are as follows:

(Amounts in thousands)	Total
2019	\$ 1,380,418
2020	1,895,554
2021	2,102,426
2022	2,212,941
2023	2,273,717
2024 and beyond	24,100,363
Total minimum payments	<u>\$33,965,419</u>

Capital Leases

The Company's assets subject to capital leases had a gross carrying value of \$44.4 million and accumulated amortization of \$8.5 million as of December 31, 2018. Future minimum payments with respect to obligations under the Company's capital leases as of December 31, 2018 are as follows:

(Amounts in thousands)	Total
2019	\$ 5,616
2020	5,673
2021	5,772
2022	5,901
2023	6,033
2024 and beyond	44,977
Total minimum payments	73,972
Less amount representing interest	(21,229)
Present value of net minimum obligations	52,743
Less current portion	(1,958)
Long-term portion	<u>\$ 50,785</u>

Credit Agreement—In November 2015, the Company amended and restated its credit facility to provide up to \$650.0 million in revolving loans and letters of credit, subject to certain financial covenants. In August 2016, March 2017, November 2017, June 2018, and August 2018, the Company executed amendments to the credit agreement which amended certain of the financial and other covenants. In November 2017 and as amended in August 2018, the Company entered into a new letter of credit facility pursuant to the letter of credit reimbursement agreement, that provides for an additional \$500.0 million in availability of standby letters of credit. The revolving loans and letters of credit under the credit agreement and the letter of credit reimbursement agreement will terminate in November 2020.

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The credit agreement and the letter of credit reimbursement agreement contain customary representations, warranties, covenants (including certain financial covenants) and events of default applicable to the Company and its subsidiaries that could give rise to accelerated repayment. The Company was in compliance with all of the covenants required by the credit agreement as of December 31, 2018.

Any amount borrowed under the credit agreement and reimbursement obligations under the letter of credit reimbursement agreement are guaranteed by the Company and certain of the Company's domestic wholly-owned subsidiaries. The obligations under the revolving credit facility and letter of credit facility are secured on a *pari passu* basis (except with respect to certain cash collateral) by a lien on substantially all of the Company's assets and substantially all of the assets of substantially all of the Company's subsidiaries that are guarantors, as applicable, including the pledge of the equity interests in each of the Company's, and the guarantors', direct subsidiaries to secure the applicable loan, reimbursement and guarantee obligations. The guarantee and security requirements under each of these facilities are subject to certain customary exceptions and exclusions.

As of December 31, 2017 and 2018, \$481.7 million and \$832.3 million, respectively, of stand-by letters of credit were outstanding under a combination of the credit facility and the letter of credit facility, the purpose of which is to guarantee payment under certain leases entered into by certain of the Company's wholly owned subsidiaries. These letters of credit were secured by restricted cash of \$130.3 million and \$344.9 million, respectively, at December 31, 2017 and 2018. There were no borrowings outstanding under the credit agreement as of December 31, 2017 and 2018.

In addition, the Company has also entered into various other letter of credit arrangements, the purpose of which is to guarantee payment under certain leases entered into by certain of the Company's consolidated VIEs. There was \$2.4 million, and \$59.6 million of stand-by letters of credit outstanding under these other arrangements secured by \$20.0 million and \$74.8 million of restricted cash at December 31, 2017 and 2018, respectively.

Construction Commitments—In the ordinary course of its business, the Company enters into certain agreements to purchase construction and related contracting services related to the build-outs of the Company's operating locations that are enforceable and legally binding, and that specify all significant terms and the approximate timing of the purchase transaction. The Company's purchase orders are based on current needs and are fulfilled by the vendors as needed in accordance with the Company's construction schedule. As of December 31, 2017 and 2018, the Company had issued approximately \$89.1 million, and \$270.3 million, respectively, in such outstanding construction commitments.

Legal Matters—The Company is, from time-to-time, party to litigation arising in the normal course of its business or litigation that is adequately covered by insurance. In the normal course of business, the Company also actively monitors violations of our valuable trademark rights and pursues legal action as determined appropriate. Management believes that none of these actions will have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

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Asset Retirement Obligations—As of December 31, 2017 and 2018, the Company had asset retirement obligations of \$53.3 million, and \$90.5 million, respectively, recorded within other liabilities. Asset retirement obligations include the following activity during the years ended December 31, 2017 and 2018:

(Amounts in thousands)	Year Ended December 31,	
	2017	2018
Balance at beginning of period	\$ 33,533	\$ 53,336
Liabilities incurred in the current period	16,453	33,782
Liabilities settled in the current period	—	—
Accretion of liability	2,653	4,462
Revisions in estimated cash flows	—	—
Effect of foreign currency exchange rate changes	697	(1,110)
Balance at end of period	<u>\$ 53,336</u>	<u>\$ 90,470</u>

Note 24. Other Related Party Transactions

During the year ended December 31, 2016, 2017, and 2018, the Company earned \$0.1 million, \$0.2 million, and \$18.8 million, respectively, in revenue from the sale of memberships and other services to an affiliate of a principal stockholder with representation on the Company's board of directors.

During the years ended December 31, 2016, 2017, and 2018, the Company earned \$0.1 million, \$0.2 million, and \$3.2 million, respectively, in revenue from the sale of memberships and other services to other related parties that have significant influence over the Company through representation on the Company's board of directors.

As of December 31, 2018, the Company recorded a receivable of \$2.5 million from an individual that is a principal stockholder, executive officer and director of the Company, relating to reimbursement of expenditures made, included as due from related parties on the accompanying consolidated balance sheets. The receivable was fully collected in February 2019. In addition, during the year ended December 31, 2018, the Company recorded revenue of \$0.1 million, relating to services rendered to a principal stockholder, executive officer and director of the Company.

The Company has entered into three separate operating lease agreements for space in buildings that are partially owned by an individual that is a principal stockholder, executive officer and director of the Company. A significant shareholder of the Company's Class B stock is also a partial owner of one of the buildings. During the years ended December 31, 2016, 2017, and 2018, the Company recognized \$3.7 million, \$6.1 million, and \$5.8 million, respectively, of rent expense related to these leases and made cash payments totaling \$1.2 million, \$3.7 million, and \$6.1 million, respectively. Future minimum rental payments under these leases, inclusive of escalation clauses and exclusive of contingent rent payments, are approximately \$222.9 million as of December 31, 2018.

The Company has entered into a capital lease agreement for space in a building partially owned by a principal stockholder, executive officer and director of the Company. A significant shareholder of the Company's Class B stock is also a partial owner of the building. During the years ended December 31, 2016, 2017, and 2018, the Company recognized \$1.8 million, \$1.7 million, and \$1.7 million, respectively, of interest expense related to this capital lease and made cash payments totaling \$1.9 million, \$1.9 million, and \$1.9 million, respectively. Future payments with respect to obligations under this capital lease, are approximately \$18.8 million as of December 31, 2018.

As of December 31, 2017, the Company held a 5% investment in the landlord entity at the Company's leased location at 210 North Green in Chicago, Illinois. In January 2018, the Company received \$2.2 million for the sale of this investment and it is no longer included in the balance of equity method and other investments as of December 31, 2018. The \$1.5 million gain on sale has been deferred as a result of the Company's continuing involvement through its

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capital lease at this location. During the years ended December 31, 2016, 2017 and 2018, the Company recognized \$1.4 million, \$1.3 million and \$1.1 million, respectively, of interest expense related to this lease which is accounted for as a capital lease and made cash payments totaling \$2.0 million, \$2.0 million and \$2.0 million, respectively. Future payments with respect to obligations under this capital leases, are approximately \$28.5 million as of December 31, 2018. See Note 9 for additional details.

As of December 31, 2018, the Company has several operating lease agreements for space in buildings owned by entities in which the Company has an equity method investment. During the years ended December 31, 2016, 2017 and 2018, the Company recognized \$0.9 million, \$0.8 million and \$3.3 million, respectively, of rent expense related to these leases and made cash payments totaling \$0.8 million, \$1.1 million and \$1.1 million, respectively. Future minimum rental payments under these leases, inclusive of escalation clauses and exclusive of contingent rent payments, are approximately \$309.7 million as of December 31, 2018.

As of December 31, 2018, the Company has several operating lease agreements for space in buildings that are owned by the WPI Fund, of which the Company currently owns 50% of both the general partner and the investment manager, with the remaining 50% of each entity owned by Rhône Group L.L.C. and Rhône Capital L.L.C. Rhône Group L.L.C. is also a shareholder of WeWork Companies Inc. and Rhône Group L.L.C.'s controlling member is also a director of WeWork Companies Inc. During the years ended December 31, 2016, 2017, and 2018, no rent expense or cash payments had been recognized as possession of the leased space had not occurred. Future minimum rental payments under these leases, inclusive of escalation clauses and exclusive of contingent rent payments, are approximately \$277.7 million as of December 31, 2018.

During 2017, the Company also received unsecured loans totaling \$26.1 million, at an interest rate of 1.52%, from the WPI Fund. The loans were paid off in full by the Company upon maturity on April 13, 2018. During the years ended December 31, 2017 and 2018 the Company recognized \$0.1 million and \$0.2 million, respectively, of interest expense related to this unsecured loan.

As of December 31, 2017 and 2018, the Company had \$3.8 million and \$5.7 million, respectively, in outstanding recourse promissory notes to certain employees of the Company. As of December 31, 2018, the promissory notes include interest rates ranging from 1.7% to 2.6% and have maturities ranging from 2023 to 2027. As of December 31, 2017, \$1.8 million was recorded in other current assets and \$2.0 million was recorded in other assets on the accompanying consolidated balance sheets. As of December 31, 2018, \$5.7 million was recorded in other assets on the accompanying consolidated balance sheets.

During the year ended December 31, 2018, the Company recognized expenses of \$0.9 million for services provided by an entity that is a principal stockholder with representation on the Company's board of directors. During the years ended December 31, 2016, and 2017, the Company did not recognize any expenses related to services provided by this vendor.

During the years ended December 31, 2017 and 2018, the Company recognized expenses of \$0.2 million and \$0.3 million, respectively, for services provided by a vendor in which the Company has an equity method investment. During the year ended December 31, 2016, the Company did not recognize any expenses related to services provided by this vendor.

During the year ended December 31, 2018, the Company recognized expenses totaling \$0.2 million, in connection with promotional services performed by an immediate family member of a principal stockholder, executive officer and director of the Company for the Creator Awards ceremonies. During the years ended December 31, 2016 and 2017, the Company did not recognize any expenses related to services performed by this individual. In addition, during the years ended December 31, 2016, 2017 and 2018, the Company recognized expenses totaling \$0.1 million, \$0.2 million and \$0.2 million, respectively, for an employee of the Company, whom is an immediate family member of a principal stockholder, executive officer and director of the Company.

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Note 25. Concentration

The Company's revenues and total property and equipment, by country, are as follows:

(Amounts in thousands)	Year Ended December 31,		
	2016	2017	2018
Revenue:			
United States	\$ 330,554	\$ 607,332	\$ 1,073,680
United Kingdom	81,176	153,095	275,615
Greater China	2,883	30,057	99,529
Other foreign countries	21,486	95,520	372,927
Total revenue	<u>\$ 436,099</u>	<u>\$ 886,004</u>	<u>\$ 1,821,751</u>

(Amounts in thousands)	December 31,	
	2017	2018
Property and equipment:		
United States	\$ 1,854,543	\$ 2,997,154
United Kingdom	299,388	537,568
Greater China	56,598	247,654
Other foreign countries	418,627	1,157,903
Total property and equipment	<u>\$ 2,629,156</u>	<u>\$ 4,940,279</u>

Our concentration in specific territories magnifies the risk to us of localized economic conditions in those territories or other territories within the same region. For the year ended December 31, 2018, we generated the majority of our revenue from locations in the United States and the United Kingdom. The majority of our United States revenue was generated from our locations in the greater New York City, San Francisco, Los Angeles, Washington, D.C. and Boston markets. In the United Kingdom, 97% of our property and equipment and 98% of revenues are related to our locations in the greater London area. In the United States, the Company generally uses metropolitan statistical areas (as defined by the United States Census Bureau) to define its greater metropolitan markets. The nearest equivalent is used internationally.

During the years ended December 31, 2016, 2017 and 2018, no single member accounted for greater than 10% of the Company's revenues.

Although the Company deposits its cash with multiple high credit quality financial institutions, its deposits, at times, may exceed federally insured limits. The Company believes no significant concentration risk exists with respect to its cash and cash equivalents.

Note 26. Subsequent Events

The Company has evaluated subsequent events from December 31, 2018 through April 25, 2019, which is the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring adjustments to or disclosure in the consolidated financial statements, other than as discussed below.

In January 2019, the Company and SBWW Cayman agreed to modify certain provisions of the Convertible Note and the 2018 warrant. The Convertible Note, as amended ("Amended Convertible Note"), will automatically convert to the Company's capital stock at the same time as the 2018 warrant, as amended (the "amended 2018 warrant"), which, assuming no other exercise events prior to December 31, 2019, will now be automatically exercised on December 31,

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2019, for a fixed per share price of \$110. The interest accrual start date per the Amended Convertible Note was also extended to December 31, 2019.

Under the amended 2018 warrant, the amount of a payment to be made in April 2019 from SBWW Cayman to the Company (the "April 2019 Payment") was reduced from \$1.5 billion to \$1.0 billion and the amendment modified the conversion price per share to be a fixed price of \$110. The April 2019

Payment is subject, under the amended 2018 warrant, to increase by not more than \$500 million, as discussed below. In January 2019 the Company drew down on the first tranche of the amended 2018 warrant and received \$1.5 billion in cash from SBWW Cayman. In April 2019 the Company drew down on the second tranche of the amended 2018 warrant and received \$1.0 billion in cash from SBWW Cayman.

In January 2019, the Company entered into a warrant with SBWW Cayman pursuant to which the Company agreed to issue shares of the Company's capital stock (the "2019 warrant"). Under the terms of the 2019 warrant, in exchange for the issuance of the Company's capital stock, SBWW Cayman will make a payment of \$1.5 billion on April 3, 2020. The right of SBWW Cayman to receive shares of the Company's capital stock will be automatically exercised on April 3, 2020 at a per-share price of \$110. Additionally, under the terms of the 2019 warrant, SBWW Cayman agreed to launch a tender offer to purchase up to \$1.0 billion of shares of currently-outstanding equity securities (including vested options, exercisable warrants and convertible notes) from equity holders of the Company. If SBWW Cayman purchases less than \$1.0 billion in connection with the tender offer, the April 2019 Payment may be increased by the difference between the dollar amount of the aggregate purchases in the tender offer and \$1.0 billion, but such amount shall not exceed \$500 million in any event. In April 2019, the tender offer closed and SBWW Cayman purchased the full \$1.0 billion of currently-outstanding equity securities.

The Convertible Note and the 2019 warrant were reissued on March 7, 2019, in connection with the assignment of the Convertible Note and the 2019 warrant, respectively, from SoftBank Group Corp. to SBWW Cayman.

In February 2019, the Company invested \$50 million for a 17.4% interest in a joint venture that simultaneously closed on the acquisition of a \$850 million real estate investment located in New York City (the "424 Fifth Venture"). The WPI Fund is also a 39.1% owner in the 424 Fifth Venture. The 424 Fifth Venture was initially capitalized with a total of \$287 million of equity and a debt facility of up to \$900 million, of which, approximately \$600 million was drawn down at closing. The Company also entered into agreements with wholly owned subsidiaries of the 424 Fifth Venture to manage the redevelopment of the property, and subsequently manage the operations and lease the property from the 424 Fifth Venture after the redevelopment is completed. The lease agreement includes total future minimum rental payments of approximately \$1.7 billion over the 20 year lease. The Company's \$50 million contribution to the 424 Fifth Venture was funded through the February 2019 conversion of the \$50 million convertible note previously issued by the Company to a wholly-owned subsidiary of the WPI Fund during the year ended December 31, 2018.

In February 2019, the Board of Directors of the Company designated and authorized 45,454,548 shares of preferred stock as Series G-1 Preferred Stock ("Series G-1 Preferred Stock"). The Series G-1 Preferred Stock has a conversion price and liquidation preference of \$110 per share and may, in certain circumstances, be issued upon the conversion of the Amended Convertible Note, Amended 2018 warrant and 2019 warrant.

In March 2019, the Company's board of directors approved, and the Company issued, option awards to members of the Company's senior management and other employees in respect of 48,510,093 shares of the Company's Class B common stock. In March 2019, the Company also amended its Certificate of Incorporation to increase the number of authorized shares of the Company's common stock in connection with these option grants. The options have a per-share exercise price equal to the fair market value of the Company's Class B common stock on the date of grant. A substantial portion of the grant has performance-based vesting conditions, including vesting conditions tied to a sale of the Company, an initial public offering and significant increases in market capitalization, and sales of the Company's outstanding preferred stock at various valuations.

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In April 2019, the Company issued a \$362.1 million loan to Adam Neumann in connection with the early exercise of a stock option, with the shares received as a result of such option exercise subject to the vesting schedule of the option award and with the recourse promissory note secured by such shares. This promissory note has an interest rate of 2.89% and a maturity of 2029.

In April 2019, the Company's board of directors approved a restricted stock award to a director for 454,546 shares of the Company's Class A common stock, which is subject to completion of a contemplated transaction. The grant generally vests in equal monthly installments over 7 years from the grant date.

In April 2019, the Board of Directors designated 1,100,000 shares of Acquisition Preferred Stock as Series AP-3 Acquisition Preferred Stock ("Series AP-3 Stock"). The Series AP-3 Stock has an original issue price of \$110 per share and rights similar to those of the Company's other outstanding shares of Acquisition Preferred Stock.

In April 2019, the Company entered into an agreement to acquire Managed by Q Inc., an office management platform, for a total contract price of \$220.0 million to be paid in \$100.0 million in cash and the remaining in Series AP-3 Acquisition Preferred Stock.

Subsequent to December 31, 2018, the Company has continued to enter into new lease commitments and letters of credit in connection with continued domestic and international expansion occurring in the ordinary course of business.