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Hostelworld Group plc

(“Hostelworld” or the “Group” or the “Company”)

Interim Results 2020

H1 2020 in line with expectations; modest increase in bookings in recent weeks in line with the easing of travel restrictions.

Accelerated delivery of Roadmap for Growth initiatives

12 August 2020: Hostelworld, a leading global OTA focused on the hostel market, is pleased to announce its interim results for the period ended 30 June 2020

Financial highlights:

- Net revenue of €12.0m in H1 2020, a decline of 69% (H1 2019: €38.8m), driven by COVID-19 led travel restrictions from late Q1
- Total Group net bookings decline of 67% (H1 2019: -10%)
- Net booking volume decline from 3.5m to 1.1m, with cancellations €5.4m (H1 2019: €4.8m)
- Net Average Booking Value €9.45 (H1 2019: €12.40), reflecting increased cancellations which had longer lead times and higher ABVs
- Marketing costs in Q2 reduced to match revenue volumes. Total H1 2020 marketing costs of €7.5m were 76% of net revenue (excluding deferred revenue), an €8.8m reduction compared to H1 2019 (H1 2019: €16.2m, 37%)
- Q2 operating costs, excluding marketing overheads, reduced by 20% to €5.5m, down from €6.9m in Q1 2020 (14% reduction compared to €6.6m in Q2 2019)
- Adjusted EBITDA loss of €8.3m (H1 2019: €8.9m profit), in line with guidance
- Basic loss per share of 18.90 € cent (H1 2019 basic earnings per share: 6.82 € cent)

Balance sheet and cash flow:

- Raised gross proceeds of €15.2 million[1] through a non-pre-emptive placing of and direct subscription for new ordinary shares in June 2020
- Committed €7m three-year revolving credit facility secured, undrawn as at 30 June 2020[2]
- Closing cash position €32.9m (H1 2019 €25.4m) includes cash on hand of €29.4m and a €3.5m short-term financing facility

1 The placing share price of 79.68 cent represented a discount of 7.1 per cent. to the closing share price of 85.78 cent on 24th June

2 Subject to certain minimum revenue related drawdown conditions

- Customer deposits related to bookings made under the free cancellation policy amounted to €3.3m (H1 2019: €7.3m), of which €2.7m relate to bookings already cancelled
- Adjusted free cash absorption (33%), (H1 2019 adjusted free cash flow 108%)
- Cash dividends for 2020 remain suspended due to COVID-19 uncertainty. In lieu of a cash dividend the Board is proposing to issue new ordinary shares, by way of bonus issue, to shareholders based on a value of 1.0 € cent per share and subject to shareholder approval
- It is the intention that the number of shares that a shareholder will need to hold to qualify for each new bonus issue share will be calculated by dividing the prevailing average share price (in € cent) prior to the publication of the shareholder circular by 1.0 € cent. The record date for the bonus issue will be set out in the shareholder circular

Gary Morrison, Chief Executive Officer, commented:

"The COVID-19 pandemic has resulted in significant trading disruption for our business and the global travel industry. From the outset our focus has been the wellbeing of our employees, to support our hostel partners and customers and to strengthen the Group's balance sheet. We entered the year in a strong position, having delivered a return to net bookings growth during Q4 2019, however, COVID-19 drove a sharp reduction in our trading performance. We reacted swiftly and purposefully to protect the business and to enable us to navigate through this crisis. Our initial efforts were focussed on cash preservation and in June we took action to strengthen our balance sheet, via a debt facility and an equity raise. Together these actions provide the Group with the financial strength to operate through this crisis and beyond.

Over the last few months we have taken the opportunity to accelerate our Roadmap for Growth program to strengthen our core platform, completing items planned for H2 2020 and 2021 ahead of schedule. Consistent with our growth strategy, which builds on our Roadmap for Growth, we also intend to broaden the catalogue of experiences and social features we offer our customers, beyond hostel accommodation. Given the current trading backdrop, we remain focused on organic initiatives in the near term, until a resumption of normal trading.

While the short-term outlook for the travel industry remains extremely challenging, I remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before. I would like to take this opportunity to thank all of our employees for their continued hard work and commitment, and our customers and shareholders for the support they have shown through these challenging times."

Trading update and outlook:

In recent weeks we have seen an increase in demand as travel restrictions have eased, and we are tracking slightly ahead of our Base Case scenario. This recovery started with very modest growth in domestic bookings in June, and more recently has progressed to very modest growth in domestic and short-haul bookings into Europe. Overall, we expect the pace of recovery to mirror changes in travel guidance in individual markets over the coming months, both positive and negative. Elsewhere, source markets in the Americas, Asia and Oceania continue to remain very depressed.

As the recovery has progressed, we have seen a steady reduction in cancellation rates, and an increase in conversion rates as consumers certainty with respect to their travel plans has improved, compared to significantly stressed levels during Q2. This has led to higher marketing costs as a percentage of net revenue in the near term, which we expect to gradually normalise as normal travel patterns resume.

On the supply side, despite significantly depressed demand during Q2, we have seen only a modest reduction in the number of hostels on our platform compared to year end 2019 levels. We are also working with the hostelling industry to ensure we display details of the additional COVID-19 policies at each hostel in a consistent manner. Overall, we are encouraged that our travellers are continuing to book Dorms in the majority of cases – with only a slight shift to date in accommodation mix towards Private rooms versus Dorm accommodation across markets.

Overall while bookings continue to trend well below normalised patterns, and assuming a gradual improvement in the macro travel environment, we expect the recovery to improve further in Q3 and Q4 2020, albeit net bookings will remain at significantly reduced levels when compared to 2019. Whilst this recovery is likely to take some time and the consumer environment will continue to be uncertain and challenging, the Board remains confident in the resilience and flexibility of our business model, and that we are well positioned to execute on our strategy and build market share as demand recovers. In parallel, the Board will continue to evaluate internal and external opportunities that will deliver value for shareholders, in particular the significant potential to enhance future growth primarily through building out a broader catalogue of experiential travel products beyond hostel accommodation.

In light of continued market uncertainty, the Group is not in a position to provide full year guidance until such time as the overall impact of COVID-19 on the Group becomes clearer.

Analyst Presentation

A presentation will be made to analysts today at 9.00am, a copy of which will be available on our Group website: http://www.hostelworldgroup.com. If you would like to dial into the presentation, please contact Powerscourt on the contact details provided below.

For further information please contact:

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About Hostelworld Group

Hostelworld Group, the global hostel-focussed online booking platform, inspires passionate travellers to Meet The World, and come back with life-changing stories to tell. Our customers are not your average tourists; they crave cultural connection and unique experiences that we make possible by providing an unbeatable selection of hostels in unmissable locations - all in the palm of their hand.
It is the social nature and community feel of hostels and their environment that enable travellers to embrace journeys of discovery, adventure and meaning. We have more than 13 million reviews across more than 17,700 hostels in more than 179 countries, making our brand the leading online hub for social travel. Our website operates in 19 different languages and our mobile app in 13 languages.

Cautionary statements

This Announcement may contain, and the Company may make verbal statements containing, "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made.

The information contained in this Announcement is subject to change without notice and except as required by applicable law or regulation (including to meet the requirements of the Listing Rules, the Euronext Dublin Listing Rules, MAR, the Financial Services and Markets Act 2000, Euronext Dublin and/or the Central Bank of Ireland), the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this Announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statements are based. Statements contained in this Announcement regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Announcement.

No statement in this Announcement is intended to be a profit forecast and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

Hostelworld Group PLC - Interim Financial Report
For the half year ended 30 June 2020

Interim Management Report

To the members of Hostelworld Group plc

Cautionary statement

This Interim Management Report (IMR) has been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Hostelworld Group plc and its subsidiary undertakings when viewed as a whole.

Chief Executive's Review

The COVID-19 outbreak has generated significant trading disruption across the whole of the travel industry. In light of the unprecedented challenges presented by the pandemic, our key priorities have been to (i) support our employees, customers and hostel partners; (ii) increase our liquidity and; (iii) progress, where possible, our Roadmap for Growth. While the short-term outlook for the travel industry still remains challenging and uncertain, I remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before and be able to seize market opportunities when normal travel patterns resume.

COVID-19 update

We entered the year in a strong position having delivered a return to net bookings growth during the final quarter of 2019, ahead of market expectations. The impact of COVID-19 has, however, driven a sharp reduction in trading performance in H1 2020. The Group delivered a H1 2020 EBITDA loss of €8.3 million, within the guidance range provided of €8 million to €9 million (H1 2019 EBITDA: €8.9 million).

- Variable marketing reduced immediately to match booking demand, which will deliver an expected annualised saving of €21m[3]
- Staff costs were reduced, across all locations, from April onwards. This included salary deferrals, reduced working hours, short-term lay-offs and redundancies, resulting in a 23% reduction in wages and salaries, annualised versus Q1 2020[1]
- Deferral of a proportion of the Board, Executive and Senior Management salaries for 2020
- Discretionary operating costs reduced to a minimum, with only those costs associated with the delivery of the Group's future strategy retained; this is expected to deliver a 29% reduction in other operating costs, annualised, versus Q1 2020[1]
- We accessed government support, where available, including job retention schemes in the UK and Ireland and the warehousing of Irish employer taxes
- We offered customers a range of refund options, including credits incremental to the original value of the booking. As at 30 June 2020, total customer deposits relating to bookings made under the free cancellation policy amounted to €3.3 million, of which €2.7 million relate to bookings already cancelled
- Given current trading, the Group's focus on cash conservation, and given the uncertainty that remains over the full impact of COVID-19, the Board announced on 24 June, the suspension of a cash dividend under its current policy in respect of the 2020 financial year

As we progressed through the second quarter, Hostelworld's liquidity remained strong, however, given the uncertainty caused by COVID-19, we felt it prudent to secure additional sources of funding to materially strengthen the Group's balance sheet position.

On the 25th June 2020, the Group completed a placing of 19,114,155 new ordinary shares, raising gross proceeds of €15.2 million through an accelerated book build. The placing share price of 79.68 cent represented a discount of 7.1 per cent. to the closing share price of 85.78 cent on 24th June 2020. Further liquidity was raised through a €7 million three-year revolving credit facility and a short-term €3.5 million invoice financing facility which will be used to discharge a limited number of large partner invoices. As at 30 June our cash position remains strong with €32.9m of cash on hand (excluding the benefit of €3.5m

[3] Measured by comparing the difference between the annualised figure as at 31 March 2020 and the annualised figure as at 31 May 2020

debt-financing, this reduces to €29.4m net cash). This additional liquidity will enable the Group to emerge in a materially stronger position as travel restrictions start to ease and accelerate growth as demand returns.

Strategy & growth

In November 2018 I announced our Roadmap for Growth strategy to strengthen our core business and return the business to growth over the following two years. At that time, we anticipated that the benefits of the Roadmap for Growth would result in a return to bookings growth during 2020, so it was particularly pleasing that this was achieved in Q4'19.

Since our full year results in March 2020, we have taken the opportunity to accelerate the deployment of the residual items planned for the balance of 2020, together with some additional items we had planned for 2021. As of the end of June we have delivered a number of significant core platform enhancements designed to improve our marketing capabilities, user experience and inventory competitiveness. These improvements include: consolidating our tracking, attribution and bidding tools within Google's product suite to optimise our marketing spend; transitioning our legacy website to a progressive web app, enabling a significantly faster user experience; and launching PayNow, which allows travellers to pay upfront for non-refundable bookings with an option to pay via Google pay or Apple pay, expanding the number of booking options available to our customers. Taken collectively, I am confident that our core platform is stronger than when we entered this crisis, which will allow us to compete more effectively as normal travel patterns resume.

In addition to updating on our core Roadmap for Growth program in March 2020, I also detailed our three-year growth strategy, which would deliver growth by providing a broader catalogue of experiences beyond hostel accommodation to our customer base, coupled with the addition of social features to enable our customers to explore the world together with other like-minded travellers. Since March we have continued to make progress on this strategy, albeit that we remain focused on organic initiatives in the near term until we return to normal trading levels. I will update on our progress versus our three-year growth strategy in more detail at our FY'20 results early next year.

Dividend

As previously communicated, the Group has suspended the payment of cash dividends for the foreseeable future in light of the current uncertainty due to COVID-19. Consequently, the Board is proposing to issue new ordinary shares by way of a bonus issue to shareholders, in lieu of a cash dividend, equating to 1.0 € cent per share and subject to shareholder approval at a general meeting which the Group anticipates will take place before 30 September 2020. Thereafter the payment of cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position and any restrictions in the Group's banking facilities.

Gary Morrison

Chief Executive

11 August 2020

Interim Management Report

Financial Review

Highlights:

- Hostelworld brand net bookings decline of 67% (H1 2019: -8%); total Group net bookings decline of 67% (H1 2019: -10%)
- Net Average Booking Value ("ABV") of €9.45, a 24% decline versus H1 2019 (€12.40)
- Revenue of €12.0m, a 69% decline compared to H1 2019 (H1 2019: -9%)
- Total marketing spend of €7.5m, a 54% reduction on H1 2019 (H1 2019: €16.2m)
- Total operating costs of €30.7m, a 20% reduction on H1 2019 (H1 2019: €38.4m)
- Exceptional items totalled €3.0m, (H1 2019: €1.3m)
- Adjusted EBITDA loss of €8.3m, (H1 2019: €8.9m profit)
- Adjusted free cash flow absorption of (33%) (H1 2019: 108%)
- Basic loss per share of 18.90 € cent (H1 2019: basic earnings per share 6.82 € cent)

The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix to the Interim Financial Report which form part of the Interim Management Report.

Revenue and operating (loss):

Revenue for the period was €12.0m a decline of 69% compared to H1 2019, reflecting the detrimental impact COVID-19 has had on the travel and leisure industry.

Group Operating Loss declined by €19.1m, to a loss of (€18.6m) as revenues declined significantly from mid-March onwards as travel restrictions increased globally. Adjusted EBITDA Loss of (€8.3m), a decline of €17.0m from H1 2019. Adjusted EBITDA Margin was -68% compared to 23% in H1 2019.

Bookings and revenue

Despite a positive start to the year, following a return to net bookings growth during Q4'19, bookings significantly declined in late Q1 2020 as extensive travel restrictions were put in place in response to COVID-19.

The Group's net booking volumes declined by 67% in H1 2020 (H1 2019: 10% decline). Net Average Booking Value ("ABV"), the average value paid by a customer for a net booking, declined by 24% during the first six month of the year (H1 2019: 3% growth) primarily reflecting increased cancellations with longer lead times and higher ABV plus the impact of reduced bed prices across all markets.

The global disruption of the travel industry caused by the COVID-19 pandemic, has resulted in a significantly increased cancellation rate. In the context of a net booking decline of 67% in H1 2020, (from 3.5 million to 1.1 million), H1 2020 cancellations were (€5.4m) compared to H1 2019: (€4.8m), as customers who had booked under the free cancellation policy had their travel plans suspended.

At 30 June 2020, we held €3.3m of customer deposits relating to bookings made under the free cancellation policy (H1 2019: €7.3m), of this €2.7m relates to bookings already cancelled. We recognised €2.2m of previously deferred revenue in H1 2020, (H1 2019: (€4.4m). Revenues for the period, net of cancellations, of €12.0m represents a 69% decline versus the same time last year (H1 2019: €38.8m). Throughout the pandemic the Group has proactively managed marketing costs, matching marketing spend to sales volumes. Total marketing spend was €7.5m in H1 2020 (H1 2019: €16.2m).

In addition, the Group also took significant and immediate action across all areas of spend, both fixed and variable. These measures resulted in a €7.7m reduction in total operating costs to €30.7m in H1 2020 compared to the same period last year (H1 2019: €38.4m). Administration expenses, excluding the impact of exceptional cost items, were €20.7m, a 31% reduction when compared to H1 2019 (H1 2019: €30.1m).

Since the end of Q1 we have taken a number of actions to reduce staff costs, including the implementation of a redundancy programme, reducing working hours on those teams that are at reduced capacity and accessing the Irish and UK Government wage subsidy schemes. These actions have resulted in a reduction in staff costs from €4.6m in Q1 2020 to €3.8m Q2 2020.

Exceptional items

Exceptional items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading. The Group incurred €3.0m of exceptional cost items in H1 2020, including costs associated with a group-wide staff restructuring, costs associated with the realignment of our Product and Technology teams and merger and acquisition related costs (H1 2019: €1.3m).

Share based payment

The share-based payment expense of €0.3m (H1 2019: €0.1m) reflects the share-based payment charge arising on the issuance of options in accordance with the Group's Long-Term Incentive Plan ("LTIP") and Save as you Earn ("SAYE") plan. The charge includes the reversal of benefits accrued for options which have been forfeited during the year and for the 2017 plan, which is now unlikely to vest in full.

Earnings per share

Basic loss per share for the Group was (18.90) € cent (H1 2019 basic earnings per share: 6.82 € cent). This decline was driven by a €24.6m decrease in the Group's profits for the period. Adjusted loss per share, after the exceptional items described above, was 11.1 € cent per share (H1 2019 earnings per share: 6.4 € cent per share). The weighted average number of shares in the period was 95.7m and the total number of shares issued at the balance sheet date was 114.7m.

Interest

The Group incurred €0.1m of finance costs in H1 2020, relating to leased assets (H1 2019: €0.1m).

Net debt and financing

As at 30 June, the Group had secured a €3.5m short-term invoice financing facility. The Group has also agreed a €7m revolving credit facility, as at 30 June 2020, this facility was not drawn down. The Group has agreed revised covenant terms with AIB on a rental guarantee for the Central Park office, Dublin, the Group's headquarters where a minimum EBITDA covenant was waived and there was reduction in minimum net assets from €100m to €67m. As at 30 June, the Group was not in breach of any covenants.

Taxation

The Group corporation tax credit of €0.3m (2019: €0.8m charge) is accrued based on the Group's outlook on the full year results. The Group has taken the estimated impact of COVID-19 on the full year performance into consideration in determining the effective tax rate for the half year ended 30 June 2020.

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes to 30 June 2020. We continue to monitor and comply with the appropriate Revenue guidelines applicable to this scheme.

Adjusted free cash flow conversion

The decline in adjusted free cash (absorption) / flow conversion from 108% in H1 2019 to 33% in H1 2020 reflects the impact of the losses made in H1 2020. The adjusted EBITDA loss made in the period has resulted in a Free Cash outflow of €2.8m compared to an inflow of €9.6m in H1 2019, with the net benefit of a €9.6m positive working capital inflow partly offset by a €1.8m exceptional cash outflow. The positive working capital movement of €9.6m includes a €2.7m decrease in debtors and a €7.0m increase in creditors. The decline in debtors is due to the receipt of a debtor in relation to a reorganisation in 2019 and due to lower VAT receipts as a result of a decline in revenue and a reduction in operating costs. The €7.0m increase in creditors due to cash conservation measures taken including the warehousing of Irish employer taxes. Total cash at 30 June 2020 was €32.9m (H1 2019: €25.4m), of which €3.3m are customer deposits related to bookings made under the free cancellation policy (H1 2019: €7.3m) and €3.5m relating to a short-term invoice financing facility (2019: €nil). There were no other borrowings at 30 June 2020 (2019: €nil).

Interim Management Report

Dividend

As announced on 24 June 2020, the Board does not expect to pay a cash dividend under its current policy in respect of the 2020 financial year. Thereafter payment of cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position and any restrictions in the Group's banking facilities.

Consequently, the Board is proposing to issue new ordinary shares by way of a bonus issue to shareholders, in lieu of a cash dividend, equating to 1.0 € cent per share and subject to shareholder approval at a general meeting which the Group anticipates will take place before 30 September 2020.

Related party transactions

Related party transactions are disclosed in note 15 to the condensed group financial statements.

Principle risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. While the Board considers the risks and uncertainties described in detail in the Annual Report and Financial Statements for the year ended 31 December 2019, issued on 04 March 2020, to remain applicable, the Board has also considered an additional risk factor, relating to the financial and operational impacts associated with COVID-19, to be applicable in the second half of the year. A description of the risks and uncertainties, including the risks associated with COVID-19, are set out on the next page.

Gary Morrison

Chief Executive Officer

11 August 2020

TJ Kelly

Chief Financial Officer

11 August 2020

Interim Management Report

Principle risks and uncertainties

The principal risks and uncertainties faced by the Group are reported annually within Annual Report and Financial Statements for the year ended 31 December 2019, issued on 04 March 2020, and are summarised below. In light of the COVID-19 pandemic the Group has considered the impact of COVID-19 on the business and reassessed risk factors accordingly.

Within emerging risks, we have considered the risk factors associated with Going Concern and Capital Structure which are included in our risk register but were not disclosed in the Annual Report at 31 December 2019. Since that date the materiality of these risks have changed in light of COVID-19 and resultant changes to the business in H1 2020.

Material risks

- Macro-economic conditions
  - Summary: Perceived or actual economic conditions, including slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs could impair customer spending and adversely affect travel demand. In addition, events beyond our control such as unusual or extreme weather, travel related health concerns including pandemics and epidemics or travel-related accidents can disrupt travel and result in declines in travel demand.
    i. Impact COVID-19: Given the recent COVID-19 pandemic, management have had to mitigate against the risk and through taking necessary actions to conserve cash. Cash conservation measures include vendor management [negotiation of terms and bases of engagement; review of internal and external resources [payroll / contractors; review of dividend policy and withdrawal of dividend if required; review of customer refund policies; review of direct marketing spend; and sourcing of alternate forms of debt and equity.

- Impact of terrorism threat on leisure travel
  - Summary: The threat of terrorist attacks in cities and on flights may reduce the appetite of the leisure traveller to certain geographies, resulting in declining revenues.
  - No significant changes from our assessment made at 31 December 2019.

- Competition
  - Summary: The risks posed by competition in areas of supply, customers and technology could adversely impact our market share and future growth of the business.
  - No significant changes from our assessment made at 31 December 2019.

- Search Engine Algorithms
  - Summary: We rely significantly on practices such as Search Engine Optimisation (“SEO”) and Search Engine Marketing (“SEM”) to improve our visibility in relevant search results. Search Engines frequently update and change the logic that determines the placement and display of results. There is a risk of loss of organic free traffic being supplemented by lower margin paid bookings.
  - No significant changes from our assessment made at 31 December 2019.

- Brand
  - Summary: Negative publicity could impact brand perception and consumer loyalty and ultimately revenue.
  - COVID-19 impact: There is a risk that our brand could be impacted through measures we have taken through COVID-19, including our refund policy. Our brand portfolio is managed through social media channels and customer service team. There is a Crisis Management Policy in place which includes appropriate escalation where there is a risk of brand damage. Our Exceptional Refund Policy details COVID-19 refunds which are issued on a case-by-case.

- Data Security
  - Summary: Risk of cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third-party suppliers.

Principle risks and uncertainties

- COVID-19 impact: The shift to remote working during COVID-19 (beginning 12 March 2020) changed the risk profile of certain data processing activities and gives rise to ongoing data security challenges.
- As we plan for a level of return of colleagues to our offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The GDPR places significant data security and regulatory compliance obligations on us when processing such data.
- We manage these risks through level 1 PCI compliance with the guidelines of the payment card industry and preparing to comply with certain aspects of Payment Services Directive 2 (PSD2) in 2021 as it relates to customer payment – customer authentication security measures.
- We have in place a Comprehensive privacy compliance programme to align with our on-going obligations under the GDPR compliance.
- We have reviewed the impact on servers of increased remote access loads with teams working from home.
- We have issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working.

- Regulation
    - Summary: The global nature of our business means we are exposed to issues regarding competition, licensing of local accommodation, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions.
    - COVID-19 impact: COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focussed companies and may have an impact on the Group's brand if the Group's sales practices were investigated and assessed to be non-compliant.
    - COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace.
    - The GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority.
    - We have responded to these evolving risks by monitoring the regulations and evolving landscape closely. In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment.

- Tax
    - Summary: Risk relating to the identification and evaluation of tax legislative changes and impact on the Group. Recommendations made by the OECD in relation to Base Erosion and Profits Shifting ("BEPS") may result in additional material tax being suffered by the Group or additional reporting and disclosure obligations. The group is following an action plan to ensure BEPs compliance.

- Business Continuity
    - Summary: Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with an adverse impact to our customer service.
    - COVID-19 impact: The outbreak of COVID-19 led to substantial business and operational disruptions across the Group and resulted in Hostelworld and our third-party suppliers seeking to suspend or be excused from certain contractual obligations. We updated our standard contractual terms in early 2020 to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/ pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time.
    - As Part of COVID-19 BCP invocation all employees have been working from home via Hostelworld secured endpoint devices that were configured and rolled out in 2019. All teams had tested access and functionality and only small adjustment was needed to have all teams operational very quickly. All laptops are encrypted and protected with anti-virus and anti-malware software.

- People
    - Summary: The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.

Principle risks and uncertainties

(People continued)

- COVID-19 impact: The Group operates from five global offices, which provides flexibility for location of key talent, thereby opening a larger talent pool to select from. Through COVID-19 there is a move to increased remote working which further enhances this.

- Brexit
  - Summary: The Group is exposed to Brexit-related risks and uncertainties in relation to its continued impact on global markets and currency exchange rate fluctuations. Developments to international laws and regulations continue to be closely monitored as Brexit proceeds. The Group's multinational structure with Head Office in Dublin provides some natural mitigation to the potential impact.

Emerging risks

- Going Concern
  - Summary: Risk that the Group will not be able to continue in operation and meet its liabilities as they fall due and that the company will not be able to source additional financing to remain viable. Risk that the travel sector will not return to trading volumes in line with expectations. Given that trading volumes are impacted, there is a risk that intangible assets may need to be impaired as cashflows don't support their current carrying values.
  - Management response: Robust assessment by Directors of principal risks facing group including those that threaten its business model, future performance, solvency or liquidity. Focus on working capital management, cash generation and managing supplier and customer relationships. Review of all P&L, cashflow and balance sheet forecasting over short and medium term, including robust review of assumptions therein, with active accountability for performance established. Key metrics and reporting reviewed regularly in management accounts and at management meetings.

- Capital Structure
  - Summary: The Group has reviewed its capital structure and strengthened its capital base with two landmark transactions in June 2020 – an Equity Placing and Debt Raising. Equity Placing leads to higher scrutiny from shareholders both participating and non-participating. Debt creates repayment obligations and covenants and requires constant monitoring of HWG leverage and liquidity.
  - Management response: We have corporate finance advisers regularly consulted to discuss optimal capital structure, we have adopted prudent forecasting of cash resources and we closely monitor of financial obligations created by debt raising.

Our other emerging risks for payment processor, climate change and mergers and acquisitions have not materially changed from our assessment made at 31 December 2019.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

1. The condensed set of group financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

2. The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

3. The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board

Gary Morrison	TJ Kelly
Chief Executive Officer	Chief Financial Officer
11 August 2020	11 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019
		€'000		€'000		€'000
	Notes	(Unaudited)		(Unaudited)		(Audited)
Revenue	3	**12,034**		38,823		80,672
Administrative expenses	4	**(23,670)**		(31,360)		(63,434)
Depreciation and amortisation	4	**(7,001)**		(7,015)		(13,946)
Operating (loss) / profit		**(18,637)**		448		3,292
Financial income		**8**		20		59
Financial costs		**(111)**		(74)		(224)
Share of result of associate		**(100)**		-		(116)
(Loss) / profit before taxation		**(18,840)**		394		3,011
Taxation	5	**762**		6,126		5,383
(Loss) / profit for the period attributed to the equity owners of the parent company		**(18,078)**		6,520		8,394
Basic and diluted (loss) / earnings per share (euro cent)	6	**(18.90)**		6.82		8.78

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019
	€'000		€'000		€'000
	(Unaudited)		(Unaudited)		(Audited)
(Loss) / profit for the period	**(18,078)**		6,520		8,394
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	-		(1)		(1)
Total comprehensive (loss) / income for the period attributable to equity owners of the parent company	**(18,078)**		6,519		8,393

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	30 June 2020 €'000 (Unaudited)	30 June 2019 €'000 (Unaudited)	31 December 2019 €'000 (Audited)
Non-current assets				
Intangible assets	7	**105,626**	112,323	109,120
Property, plant and equipment	8	**5,703**	6,585	5,353
Deferred tax assets		**7,162**	7,024	6,727
Investment in associate		**2,623**	-	2,723
		121,114	125,932	123,923
Current assets				
Trade and other receivables	9	**2,306**	5,307	4,980
Cash and cash equivalents		**32,908**	25,396	19,365
Corporation tax		**116**	-	-
		35,330	30,703	24,345
Total assets		**156,444**	156,635	148,268
Issued capital and reserves attributable to equity owners of the parent				
Share capital	10	**1,147**	956	956
Share Premium	10	**14,344**	-	-
Foreign currency translation reserve		**15**	15	15
Share based payment reserve		**1,091**	757	788
Retained earnings		**111,935**	132,091	130,013
Total equity attributable to equity holders of the parent company		**128,532**	133,819	131,772
Non-current liabilities				
Lease Liabilities		**3,571**	3,776	3,422
Deferred tax liabilities		**112**	227	144
Deferred Consideration		**882**	-	873
		4,565	4,003	4,439
Current liabilities				
Trade and other payables	11	**18,046**	17,048	11,074
Borrowings	12	**3,454**	-	-
Lease liabilities		**1,847**	1,055	869
Corporation tax		**-**	710	114
		23,347	18,813	12,057
Total liabilities		**27,912**	22,816	16,496
Total equity and liabilities		**156,444**	156,635	148,268

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Share capital	Share Premium	Foreign currency translation Reserve	Share based payment reserve	Retained earnings	Total
	Notes	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2018 (audited)		956	-	16	630	134,650	136,252
Effect of initial application of IFRS 16			-			(416)	(416)
Balance at 1 January 2019		956	-	16	630	134,234	135,836
Total comprehensive income for the period		-	-	(1)	-	8,394	8,393
Dividends		-	-	-	-	(12,615)	(12,615)
Credit to equity for equity settled share based payments		-	-	-	158	-	158
Balance at 31 December 2019 (audited)		**956**	**-**	**15**	**788**	**130,013**	**131,772**
Total comprehensive loss for the period		**-**	-	**-**	**-**	**(18,078)**	**(18,078)**
Issue of ordinary shares for cash	10	**191**	**15,042**	**-**	**-**	**-**	**15,233**
Share issue cost	10	**-**	**(698)**	**-**	**-**	**-**	**(698)**
Credit to equity for equity settled share-based payments		**-**	**-**	**-**	**303**	**-**	**303**
As at 30 June 2020 (unaudited)		**1,147**	**14,344**	**15**	**1,091**	**111,935**	**128,532**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
		€'000	**€'000**	**€'000**
		(Unaudited)	**(Unaudited)**	**(Audited)**
Cash flows from operating activities				
(Loss)/profit before taxation		**(18,840)**	394	3,011
Depreciation of property, plant and equipment	4	**1,301**	1,111	2,425
Amortisation of intangible assets	4	**5,700**	5,904	11,521
Share of result of associate		**100**	-	116
Financial income		**(8)**	(20)	(59)
Financial expense		**111**	74	224
Loss on disposal of property, plant and equipment		**11**	-	-
Employee equity settled share-based payment expense		**303**	127	156
Changes in working capital items:				
Increase / (decrease) in trade and other payables		**6,972**	4,610	(2,252)
Decrease / (increase) in trade and other receivables		**2,674**	(2,493)	(2,166)
Cash (used by) / generated from operations		**(1,676)**	9,707	12,976
Interest paid		**(111)**	(74)	(224)
Interest received		**8**	20	59
Income tax received / (paid)		**64**	(453)	(1,516)
Net cash (used by) / generated from operating activities		**(1,715)**	9,200	11,295
Cash flows from investing activities				
Acquisition/capitalisation of intangible assets	7	**(2,206)**	(501)	(2,915)
Purchases of property, plant and equipment	8	**(59)**	(121)	(190)
Acquisition of investment in associate		**9**	**-**	(1,075)
Net cash used in investing activities		**(2,256)**	(622)	(4,180)
Cash flows from financing activities				
Repayments of obligations under lease liabilities		**(475)**	(555)	(1,109)
Proceeds from issue of share capital	10	**15,233**	-	-
Issue costs paid	10	**(698)**	-	-
Dividends paid	13	**-**	(8,601)	(12,615)
Proceeds from borrowings	12	**3,454**	-	-
Net cash generated from / (used by) financing activities		**17,514**	(9,156)	(13,724)
Net increase / (decrease) in cash and cash equivalents		**13,543**	(578)	(6,609)
Cash and cash equivalents at the beginning of the period		**19,365**	25,974	25,974
Effect of foreign exchange rate changes		**-**	-	-
Cash and cash equivalents at the end of the period		**32,908**	25,396	19,365

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hostelworld Group plc, hereinafter "the Company", is a public limited company incorporated in the United Kingdom on the 9 October 2015. The condensed group financial statements of the Company for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as “the Group”). The condensed group financial statements for the period ended 30 June 2020 are unaudited.

The information for the year ended 31 December 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed group financial statements were authorised for issue by the Board of Directors of Hostelworld Group plc on 11 August 2020.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed group financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, as adopted by the European Union.

Going concern

Immediate action was taken by the directors in response to the breakout of COVID-19 to preserve the Group’s cash position. Actions taken include the decision not to pay the final 2019 dividend, a group-wide scaled redundancy program, reduced hours and deferred pay for our employees and directors, the renegotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports in both Ireland and the UK.

Since mid-March 2020 when the full force of the COVID-19 outbreak was felt on trading, the group has been reforecasting on a bi-weekly basis its cash position for 2020 and 2021. The directors have reviewed a number of stress case cash flow scenarios which have evolved over time. These scenarios reflect changes in key assumptions in areas such as timing of recovery, cost conservation and availability of alternate sources of capital.

- Our base-case cashflow scenario assumes a moderate uptick in net bookings from H2 2020, with a steady yet modest recovery through 2021.
- Our 2nd wave case assumes a more conservative performance in 2020, with signs of progressive recovery from Q2 2021 onwards.

These scenarios include various mitigation measures including the deferral of certain cashflows and additional cost cutting measures. In both scenarios, the Group has sufficient cash reserves available.

The directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. The Group has a cash balance of €32.9 million (2019: €19.4 million) and has committed undrawn funds available of €7 million relating to a revolving credit facility that can be drawn down up to 30th November 2023. The group availed of a short-term liquidity loan amounting to €3.5m in June 2020. On 29 June 2020, the Company issued Ordinary Shares by way of a Firm Placing and Open Offer, raising gross proceeds of €15,233k.

Having considered the Group’s cash flow forecasts, current and anticipated trading volumes, together with current and anticipated levels of cash, debt and the availability of committed borrowing facilities, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and accordingly, they continue to adopt the going concern basis in preparing the condensed group financial statements.

Changes in accounting policies

Since the last Annual Report there are a number of amendments to existing accounting standards that have been adopted. These had no material impact on the condensed group financial statements. The same accounting policies and methods of computation are followed compared with the most recent annual group financial statements. For the period ended 30 June 2020 the following accounting policies, not disclosed in the last annual report, are also significant.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

Changes in accounting policies (continued)

Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Amounts are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

There are no new IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2020 that have had a material impact on the Group.

Key judgements and sources of estimation uncertainty

In preparing these condensed group financial statements, the directors have made judgements in applying the groups accounting policies and there are key sources of estimation uncertainty which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Impact of COVID-19 and Going Concern

The impact of COVID-19 on the Group's trading and resultant actions taken by the Group, to mitigate against this impact, have caused us to reconsider whether previous assumptions on provisioning balances, deferred revenue and impairment testing are still valid and appropriate. The group has reviewed the recoverable amount of assets including intangible assets, associate investment and plant, property and equipment. Management have considered whether any impairment existed at the reporting date, or subsequently to the date that the condensed group financial statements were approved for issue by the board of directors. In making this assessment the board approved 5-year plan has been adjusted for base case and 2nd wave case assumptions, assessing the impact of a period of prolonged decline in revenue and profitability. The result of this assessment is that management have concluded that goodwill is fully recoverable at 30 June 2020. We have performed procedures under IAS 36 on intangible assets and are satisfied that our recoverable amount of these assets exceeds the carrying value, therefore no impairment required. The net book value of plant property and equipment, at 30 June 2020, amounts to €5.7m, of which €4.1m are right of use assets. We have also considered the carrying value of our investment in associate of €2.6m under IAS 36. Our review of the commercial proposition of the investment, which is in its start-up stage and has just commenced trading, does not identify any impairment losses.

The impact of COVID-19 on going concern is also a key accounting judgement for the group and is discussed in detail in our basis of preparation note.

3. REVENUE & SEGMENTAL ANALYSIS

The Group is managed as a single business unit which provides software and data processing services that facilitate hostel, hotel and other accommodation bookings worldwide, including ancillary online advertising revenue.

The directors determine, and present operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"). When making resource allocation decisions, the CODM evaluates booking numbers and average booking value. The objective in making resource allocation decisions is to maximise consolidated financial results.

The CODM assesses the performance of the business based on the consolidated adjusted (loss) / profit after tax of the Group for the period. This measure excludes the effects of certain income and expense items, which are unusual by virtue of their size and incidence, in the context of the Group's ongoing core operations, such as the impairment of intangible assets and one-off items of expenditure.

All revenue is derived wholly from external customers and is generated from a large number of customers, none of whom is individually significant.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

REVENUE & SEGMENTAL ANALYSIS (Continued)

The Group's major revenue-generating asset class comprises its software and data processing services and is directly attributable to its reportable segment operations. In addition, as the Group is managed as a single business unit, all other assets and liabilities have been allocated to the Group's single reportable segment. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

Reportable segment information is presented as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Europe	**5,272**	22,423	46,994
Americas	**3,099**	7,383	15,672
Asia, Africa and Oceania	**3,663**	9,017	18,006
Total revenue	**12,034**	38,823	80,672

For the six-month period ended 30 June 2020, the revenue balance included cancellations of (€2,188k) relating to free cancellation bookings that were previously deferred (for the six months ended 30 June 2019: revenue of €4,447k was recorded relating to free cancellation bookings which was previously deferred).

Disaggregation of revenue is presented as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Technology and data processing fees	**11,453**	37,822	78,571
Ancillary services and advertising revenue	**581**	1,001	2,101
Total revenue	**12,034**	38,823	80,672

In the six months ended 30 June 2020, the Group generated 95% (2019: 97%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

Revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed. Deferred revenue is expected to be recognised within twelve months of initial recognition. Advertising revenue and revenue generated from other services are recognised over the time-period when the service is performed.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

4. OPERATING EXPENSES

(Loss) / profit for the period has been arrived at after charging the following operating costs:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Marketing expenses	**7,466**	16,225	32,712
Staff costs	**8,673**	8,521	16,881
Credit card processing fees	**476**	1,318	2,515
Loss on disposal of property, plant and equipment	**11**	-	-
Exceptional items	**2,996**	1,285	3,066
FX loss	**7**	112	72
Other administrative costs	**4,041**	3,899	8,188
Total administrative expenses	**23,670**	31,360	63,434
Depreciation of property, plant and equipment	**1,301**	1,111	2,425
Amortisation of intangible fixed assets	**5,700**	5,904	11,521
Total depreciation and amortisation	**7,001**	7,015	13,946
Total operating expenses	**30,671**	38,375	77,380

Administration expenses decreased by €7,401k compared to the same period in 2019, driven by the reduction of non-essential operating costs, as a result of COVID-19. Other administrative costs have increased, compared to the same period in 2020 relating to €170k dilapidation costs for a move in our UK office. Included in staff costs are government assistance amounts totalling €289k (30 June 2019: €nil) for furloughed employees under the Coronavirus Job Retention Scheme in the UK and subsidy received under the temporary COVID-19 Wage Subsidy Scheme in Ireland.

The exceptional costs for the six months period amounted to €2,996k (30 June 2019: €1,285k) were primarily costs relating to an organisational restructure and merger and acquisition related costs.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Merger & acquisition costs	**2,262**	731	2,115
Restructuring costs	**734**	554	951
Total Exceptional items	**2,996**	1,285	3,066

5. TAXATION

The corporation tax credit for the six-month period is €294k (30 June 2019: charge €754k representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax (loss) / income of the six-month period. In calculating the expected tax rate, the group has taken the base case forecast which reflects the impact of COVID-19 on trading performance.

The deferred tax credit for the six-month period of €468k (30 June 2019: €6,880k) relates to the movement in deferred tax assets offset by the movement in deferred tax liabilities. The 2019 credit relates to a timing difference which arose from a group reorganisation that completed on 12 March 2019 in which certain assets of a group subsidiary were acquired by Hostelworld.com Limited. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits have been estimated using the board approved 5-year plan and adjusted for base case COVID-19 assumptions.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

6. (LOSS) / EARNINGS PER SHARE

Basic (loss) / earnings per share is computed by dividing the net (loss) / profit for the period available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
Weighted average number of shares in issue ('000s)	**95,676**	95,571	95,571
(Loss) / profit for the period (€'000s)	**(18,078)**	6,520	8,394
Basic (loss) / earnings euro cent per share	**(18.90)**	6.82	8.78

Diluted (loss) / earnings per share is computed by dividing the net (loss) / profit for the period by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially ordinary shares. Ordinary shares potentially issuable from share-based payment arrangements are anti-dilutive due to the loss in the financial year meaning there is no difference between basic and diluted earnings per share.

Number of Shares:	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
Weighted average number of ordinary shares in issue ('000s)	**95,676**	95,571	95,571
Effect of dilutive potential ordinary shares:			
Share options ('000s)	-	69	5
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000s)	**95,676**	95,640	95,576
Diluted (loss) / earnings euro cent per share	**(18.90)**	6.82	8.78

7. INTANGIBLE ASSETS

Additions during the period comprised of internally generated additions of €2,206k (2019: €501k). At 30 June 2020 and 30 June 2019, there were no indicators that the intangible assets of the Group are carried at an amount higher than their recoverable amount.

8. PROPERTY, PLANT AND EQUIPMENT

The group recognised additions during the six months ended 30 June 2020 totalling €1,662k including right of use additions for our lease for the UK office totalling €1,603k. In the prior year the group adopted IFRS 16. On adoption of IFRS 16 on 1 January 2019, the Group recognised right of use assets of €4,294k in relation to its leased assets, primarily being leases of office space in Ireland, UK and Portugal, and invested €121k in additional plant, property and equipment.

For the six months period the group also disposed of assets with a net book value of €11k and recognised a loss on disposal (2019: €nil).

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	30 June 2020	30 June 2019	31 December 2019
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Amounts falling due within one year			
Trade receivables	**226**	1,219	873
Prepayments and accrued income	**1,435**	2,776	2,291
Value Added Tax	**645**	1,312	1,816
	2,306	5,307	4,980

Movement in prepayments and accrued income relates primarily to the receipt of €1,219k due to cash proceeds received by the Group on completion of the liquidation of WRI Nominees DAC in the prior year (see note 15). Reduction in other receivable balances are reflective of COVID-19 related decline in booking volumes.

10. SHARE CAPITAL

At 30 June 2020	No of Shares	Share Capital €'000	Share Premium €'000
Ordinary Shares of €0.01 each	**114,684,933**	**1,147**	**15,042**
Share issue costs	**-**	**-**	**(698)**
	114,684,933	**1,147**	**14,344**
At 31 December 2019 and 30 June 2019			
Ordinary Shares of €0.01 each	95,570,778	956	-

On 29 June 2020, the Company issued 19,114,155 Ordinary Shares at €0.79695 per share by way of a Firm Placing and Open Offer, raising gross proceeds of €15,233k. €698k of directly attributable share issue costs have been recognised as a deduction from share premium.

11. TRADE AND OTHER PAYABLES

	30 June 2020	30 June 2019	31 December 2019
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Amounts falling due within one year			
Trade payables	**5,044**	3,685	2,493
Accruals and other payables	**9,078**	4,640	4,099
Deferred revenue	**949**	8,148	2,982
Deferred Consideration	**893**	-	890
Payroll taxes	**2,082**	575	610
	18,046	17,048	11,074

At 30 June 2020, €589k deferred revenue related to free cancellation bookings is included in deferred revenue (30 June 2019: €7,339k) and €360k relates to featured listings deferred revenue (30 June 2019: €809k). Increase in trade payables reflects revised payment terms with key vendors. Included in accruals and other payables is a credit provision €1,724k (30 June 2019: €285k) for various credits and incentives to customers for use on future bookings, and an amount of €2,677k (30 June 2019: €64k) relating to customers who have cancelled their free cancellation booking but have not been refunded which have both increased compared to the same period in H1 2019 due to additional options recognised for customers whose travel was disrupted by COVID-19. Also included in accruals and other payables is an interest accrual on short term borrowings totalling €38k (note 12) (2019: nil). Increase in payroll taxes to 30 June 2020 reflects the warehousing of Irish employer taxes.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

12. BORROWINGS

On 22 June 2020 the group entered a 'Prompt Pay' (AIB Product Name) short term invoice financing facility with Allied Irish Banks PLC repayable in full by 23 April 2021. Total amount drawn down at 30 June 2020 amounted to €3,454k. A flat rate interest applies on loan balance of 1.45% per annum. Hostelworld.com Limited must ensure it maintains a cash balance of no less than €8.67m for the period ending 30th September 2020, €5.75m for the period ending 31 December 2020 and €1.42m for the period ending 31 March 2021. Our cash balance at 30 June 2020 amounted to €32.9m and we are not expecting to breach any covenants.

In the period the Group entered a three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. The facility is guaranteed by fixed and floating debenture over the assets of Hostelworld.com Limited to include proprietary interest in any Hostelworld booking platform, technology and intellectual property, group guarantees for the full amount of borrowings and a subordination deed between Hostelworld.com Limited, Hostelworld Group Plc and the Bank subordinating the repayment of all monies due by Hostelworld.com Limited to Hostelworld Group Plc in accordance with the provisions contained therein. The facility bears interest at the bank cost of funds +2.3% margin. Hostelworld.com Limited is to retain minimum cash balances of 20% of drawn facilities and the revolving credit facility must return to credit 20 days per annum. Hostelworld.com Limited must also maintain a minimum tangible net worth of not less than €90m. No amounts were drawn down at 30 June 2020, in respect of the revolving credit facility. Amounts available to the group consist of three tranches of €2m to €2.5m each dependent on incremental revenue targets achieved.

13. DIVIDENDS

Amounts recognised as distributions to equity holders in the previous financial period:

	Six months ended 30 June 2019		Year ended 31 December 2019
	€'000		€'000
Final 2018 dividend of €0.09 per share (paid 5 June 2019)	8,601		8,601
Interim 2019 dividend of €0.042 per share (paid 20 September 2019)			4,014
	8,601		12,615

The Group announced on 26 March 2020 that it was not proceeding with a final 2019 dividend as part of its measures to protect balance sheet strength and liquidity during the COVID-19 pandemic. On 24 June 2020 the Group announced that the Board does not expect to pay a cash dividend under its current policy in respect of the 2020 financial year. The Board made this decision after assessing current trading, the continued requirement for cash conservation and the on-going uncertainty of the full impact of COVID-19. Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

The Board is proposing to issue new ordinary shares by way of a bonus issue to shareholders, in lieu of a cash dividend, equating to 1.0 € cent per share and subject to shareholder approval at a general meeting which the Group anticipates will take place before 30 September 2020

14. SHARE BASED PAYMENTS

During the six-months ended 30 June 2020, there was one invitation made to executive directors and selected management to participate in the Group's long-term incentive plan ("LTIP"). On 2 May 2020, 3,793,200 nil cost options were granted, and these options will vest on 1 May 2023 subject to meeting performance conditions based on the Company's adjusted earnings per share for the year ending 31 December 2022 and absolute total shareholder return during the period of three years commencing on the Award Date. All of these options are still in issue as at 30 June 2020.

During the year ended 31 December 2019, the Remuneration Committee approved the grant of 1,267,463 share options pursuant to the terms and conditions of the Group's LTIP Rules (2018: 773,797 options). These were granted in four separate offerings.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

SHARE BASED PAYMENTS (continued)

During the six-month period ended 30 June 2020 an amount of 25,389 was forfeited in relation to the 2019 LTIP grants, and 9,044 were forfeited in relation to the 2018 LTIP grants.

Details of the share options outstanding, excluding SAYE, during the period are as follows:

	30 June 2020 No. of share options	30 June 2019 No. of share options	31 December 2019 No. of share options
Outstanding at beginning of period	**1,501,647**	875,957	875,957
Granted during the period	**3,793,200**	1,010,199	1,267,463
Forfeited during the period	**(34,433)**	(121,299)	(641,773)
Exercised during the period	**-**	-	-
Expired during the period	**-**	-	-
Outstanding at the end of the period	**5,260,414**	1,764,857	1,501,647
Exercisable at the end of the period	**-**	-	-

As at 30 June 2020, there have been 530,784 options granted to a number of eligible employees in the Group as part of a Save as You Earn scheme (30 June 2019: 272,027 options). As at 30 June 2020, 313,708 of these options have been cancelled (30 June 2019: 146,266 options).

15. RELATED PARTY TRANSACTIONS

On 04 June 2020 a new subsidiary was incorporated "Hostelworld Business Consulting (Shanghai) Co., Limited". The principal activity of this subsidiary is business information consulting and marketing planning.

In the prior year as part of a group reorganisation, Hostelworld.com Limited acquired certain assets from WRI Nominees DAC for a consideration of €151m on 12 March 2019. Both companies are 100% owned subsidiaries of Hostelworld Group plc. As a result of this transaction, a timing difference arose and a deferred tax asset of €6.9m was recognised in the condensed group financial statements. On the same date, WRI Nominees DAC was liquidated by way of members' voluntary winding up.

16. EVENTS AFTER THE REPORTING DATE

The Board is proposing to issue new ordinary shares by way of a bonus issue to shareholders in lieu of a cash dividend, equating to 1.0 € cent per share and subject to shareholder approval at a general meeting which the Group anticipates will take place before 30 September 2020

There were no material subsequent events since the reporting date.

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures ('APMs') which are non–IFRS measures to monitor the performance of its operations and of the Group as a whole: Earnings before Interest, Tax, Depreciation and Amortisation, excluding exceptional and non-cash items ("Adjusted EBITDA"), Profit after Taxation ("Adjusted PAT"), Adjusted EPS, Adjusted Free Cash Flow and Adjusted Free Cash Flow conversion.

Adjusted EBITDA

The Group uses Earnings before Interest, Tax, Depreciation and Amortisation, excluding exceptional and non-cash items ("Adjusted EBITDA") as a key performance indicator when measuring the outcome in the business from one period to the next, and against budget. Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. We believe this alternative performance measure reflects the key drivers of profitability for the Group and removes those items which do not impact underlying trading performance.

Reconciliation between (Loss) / Profit for the year and Adjusted EBITDA:

€m	H1 2020	H1 2019
(Loss) / profit for the year	**(18.1)**	6.5
Taxation	**0.7**	6.1
Net finance costs	**(0.1)**	(0.1)
Share of result of associate	**(0.1)**	-
Operating (loss) / profit	**(18.6)**	0.5
Depreciation	**1.3**	1.1
Amortisation of development costs	**1.1**	0.8
Amortisation of acquired intangible assets	**4.6**	5.1
Exceptional items	**3.0**	1.3
Share based payment expense	**0.3**	0.1
Adjusted EBITDA	**(8.3)**	8.9

Adjusted Profit after Taxation ("Adjusted PAT")

Adjusted Profit after Taxation ("Adjusted PAT") is an alternative performance measure that the Group uses to calculate the dividend pay-out for the year, subject to Company Law requirements regarding distributable profits and the dividend policy within the group. It excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Reconciliation between Adjusted EBITDA and (Loss) / Profit for the Year:

€m	H1 2020	H1 2019
Adjusted EBITDA	**(8.3)**	8.9
Depreciation	**(1.3)**	(1.1)
Amortisation of development costs	**(1.1)**	(0.8)
Net finance costs	**(0.1)**	(0.1)
Share of results of associate	**(0.1)**	-
Corporation tax	**0.3**	(0.8)
Adjusted (loss) / profit after Taxation	**(10.6)**	6.2
Exceptional items	**(3.0)**	(1.3)
Amortisation of acquired intangibles	**(4.6)**	(5.1)
Share based payment expense	**(0.3)**	(0.1)
Deferred taxation	**0.4**	6.9
(Loss) / profit for the period	**(18.1)**	6.5

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES (continued)

Adjusted EPS

Adjusted EPS is an alternative performance measure that excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

€m	H1 2020	H1 2019
Adjusted (loss) / profit after taxation	**(10.6)**	**6.2**
Weighted average shares in issue ('m)	**95.7**	**95.6**
Adjusted EPS	***(11.1)***	*6.4*

Adjusted Free Cash Flow

The Group uses adjusted Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation. The Group calculates adjusted Free Cash Flow as the adjusted EBITDA for the group before Capital Expenditure, capitalised development spend, acquisition and disposal of undertakings and adjusting for interest, tax and movements in working capital.

€m	H1 2020	H1 2019
Adjusted EBITDA	**(8.3)**	8.9
Capitalised development spend	**(2.2)**	(0.5)
Capital expenditure	**(0.1)**	(0.1)
Acquisition of associate	**-**	-
Interest and tax paid	**-**	(0.5)
Net movement in working capital	**7.8**	1.8
Adjusted free cash (absorption) / flow	**(2.8)**	9.6
Adjusted free cash (absorption) / flow conversion	***(33)%***	*108%*