Hostelworld Group plc
("Hostelworld" or the "Group")

Preliminary Results for the Year ended 31 December 2016

Hostelworld, the world's leading hostel-focused online booking platform, is pleased to announce its preliminary results for the year ended 31 December 2016.

Operational Highlights

- FY 2016 performance in line with expectations
- Total group bookings 1% lower, reflecting reduced investment in lower margin bookings and tough mid-year market conditions; H2 group bookings up 2% against H2 2015
- Strong core Hostelworld brand bookings growth of 18%; H2 growth of 21% against H2 2015
- Good progress in mobile, with 49% of Hostelworld brand bookings from mobile devices (2015: 41%)
- Marketing efficiencies driving more profitable booking mix
  - Bookings from not-paid-for channels grew to 61% of total (2015: 58%)
  - Marketing expenses as a percentage of revenue decreased to 41% (2015: 45%)
- Higher commission bookings using Elevate product increased to 30% of group total (2015: 18%)
- Asia remains fastest growing destination

Financial Highlights

- Adjusted EBITDA of €23.9m up 7% on a constant currency basis with revenue flat; reported adjusted EBITDA up 1% on revenue 4% lower
- Adjusted EBITDA margin increased to 30% (2015: 28%)
- Adjusted Earnings Per Share of €0.20 (2015: €0.22)
- Group adjusted profit after tax of €19.4m (2015: €21.0m)
- Strong underlying cash conversion of 90% and cash balances of €24.6m
- Proposed final dividend per share of 10.4 euro cent, reflecting 75% distribution of adjusted profit after tax for the year in line with our stated policy
- Proposed supplementary dividend of 10.5 euro cent per share which reflects the strong balance sheet and cash generative business model

Feargal Mooney, Chief Executive Officer, commented:

"As widely reported, 2016 was challenging for the travel industry, which had to contend with the impact of terrorist attacks and the implications of Brexit. Whilst our performance, particularly in our key European market during the second and third quarters of the year, was impacted by these events the Group saw improved momentum in the latter part of 2016 which has continued through the first quarter of 2017.

Our continued focus on key strategic initiatives is supporting year on year bookings growth, and together with our highly cash generative business model positions us well to benefit from continued market growth."

ends

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation (EU) No. 596/2014.

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Chairman's Statement

2016 marked our first full year as a publicly listed Company. As widely reported, this year was challenging for the travel industry, which had to contend with the impact of terrorist attacks and the implications of Brexit. Whilst our performance, particularly in our key European market during the second and third quarters of the year, was impacted by these events, our results demonstrate the strength of the overall business model and our ability to execute strongly on our strategy, We continue to create value for shareholders by meeting the needs of our consumers in a marketplace that continues to grow and change quickly.

Results and financial position

The Group's flagship brand, Hostelworld, represented 87% of total Group bookings as compared to 73% in 2015. Business momentum improved materially in the latter part of the year, with overall Group bookings 2% higher than the same period in 2015. This compared to a 4% decline in the first half of 2016. This was a reflection of the success of our strategic focus on growing the Hostelworld brand, which has meant that the impact of the anticipated decline in the rate of bookings from supporting channels on overall group performance has eased during 2016. This trend is expected to continue.

Adjusted EBITDA for the year was €23.9m (2015: €23.6m) which, as stated in our pre-close update, is in line with the Board's expectations for the year.

The Group's business model continued to be strongly cash generative, with adjusted free cash flow of €21.5m (2015: €15.3m), contributing to a strong balance sheet at the period end. Unrestricted cash balances at year end were up 116% at €24.6m (2015: €11.4m).

Dividend and Capital Structure

Consistent with the guidance set out in our 2015 prospectus, the Board is recommending a full year final dividend of 10.4 euro cent per share which reflects the distribution of 75% of the Adjusted Profit after Taxation for the year.

In light of the Group's strong free cash flow, the Board has reviewed its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment opportunities.

In the absence of other investment opportunities at present, and in recognition that the Group's cash resources are currently greater than those required to meet the prudent requirements of the business, the Board is proposing to distribute €10m of surplus cash to shareholders via a supplementary dividend. This supplementary dividend of 10.5 euro cent per share is discretionary and non-recurring. The Board will keep under review the best method of returning surplus cash to shareholders, including by way of further supplementary dividends or share buy-backs.

Board Composition

The Board meets regularly and provides the appropriate mix of support, encouragement and challenge of the Executive Directors from the Non-Executive Directors. During the year, the Board undertook an appraisal of the Directors, as well as of the Board and each of its Sub-Committees, which concluded that the Board is functioning effectively and has the appropriate balance of experience, capabilities and viewpoints. I would like to thank my fellow Non-Executive Directors, Michael Cawley (Senior Independent Director and Audit Committee Chairman) and Andy McCue (Remuneration Committee Chairman) for their contribution and efforts.

The composition of the Board is fully compliant with the UK Corporate Governance Code as applied to small companies.

People

On behalf of the Board, I would like to thank all members of the Hostelworld team under the leadership of Feargal Mooney for their commitment and hard work during the year. They are focused on serving and advancing the hostel market – both hostel users and hostel owners and operators; and are continuously innovating to swiftly adapt to changes in the market place, many of which are driven by new interactive technologies that are highly relevant to our consumers.

Outlook

The investment in our technology and brand has placed the Group in a strong position to capture future growth in the hostel sector. The Board is encouraged by the flow of increased high quality hostel supply in key destinations and by the Group's ability to demonstrate the attractiveness of our product offering to property owners and to our target audience of young independent travellers. The strength of our people, brand and technology, along with our ability to innovate, serves to enhance our prospects in our core marketplace and provides opportunities for incremental revenue and profit going forward.

I am pleased to report that 2017 has started well. Total Group bookings are ahead of last year and there is positive momentum across the business.

Richard Segal

Chairman

27 March 2017

Chief Executive's Statement

I am pleased to report Group results for the year ended 31 December 2016.

Continued strategic progress

Set in the context of very challenging market conditions, particularly in Europe in the key second and third quarters, I am pleased with overall performance for the year. We maintained our focus on the execution of our strategy across mobile, brand marketing, flexible pricing, geographic diversification and a more efficient booking mix, which has led to an improved performance in the latter part of the year and encouraging momentum in the first quarter of 2017.

Bookings

Bookings for the Group's primary Hostelworld brand, which contribute 87% of total Group bookings, grew by 18% in the year with an average growth rate of 21% for the final six months of the year (2015: growth of 17%). Total Group bookings and revenues for the year declined by 1% (72,168 bookings) and 4% (€3.0 million) respectively as we successfully focused on driving bookings growth in our flagship brand, and proactively managed the decline in our supporting brands. Revenues were flat on a constant currency basis.

We are pleased with the continued progress made in managing our marketing investment, driving efficiencies in cost-per-click and cost-per-booking which has resulted in a more profitable booking mix. In 2016, bookings from not-paid-for channels increased to 61% of overall Group bookings (2015: 58%), and marketing expenses as a percentage of net revenue decreased to 41% (2015: 45%). We are confident that our marketing and mobile led strategy, with the goal of diversifying online marketing channels and increasing Hostelworld brand awareness, will continue to drive efficiencies in our acquisition costs.

Brand

If 2015 was the year of launching and testing the 'Meet The World' proposition targeting budget-conscious independent travellers, 2016 was the year of expanding this brand proposition globally across digital-only channels.

This move to concentrate on digital channels allowed us to penetrate more markets, be more targeted, and focus heavily on being ever-present in social media. With digital channels being more cost efficient, Hostelworld was able to increase its reach across campaigns, driving more impressions to more customers in highly relevant media. With 18-34 year olds consuming increasing amounts of content across social media, we were pleased with significant growth in our Facebook, YouTube and Instagram channels. Our fan following across all social media grew in 2016 by over 145% to 1.4m.

We increased our video output by almost 40% during the year, successfully enabling Hostelworld to showcase the modern hostelling experience in a compelling format. The pinnacle of this activity was the global launch of our second major brand campaign: In Da Hostel with 50 Cent.

Parodying the cult-status MTV Cribs episodes, world famous rapper 50 Cent showcased the TOC Hostel in Barcelona to the world, breaking down outdated perceptions of hostels through a 2½ minute video that went viral across the globe with over 80 million views.

We also secured markedly increased PR coverage globally, combining a mix of market-leading data insight stories with more fun items of content ('Human Beer Pong' and 'Skyping the parents whilst getting a Tattoo'). Hostelworld now benefits from an increase in traffic to its blog via the content it creates, achieving over 1m visits to the blog in December 2016 alone.

Technology and Mobile

We have made good progress with our technology platform over the year. The consolidation of Hostelbookers onto the Hostelworld Technology platform in January 2016 realised significant operational and maintenance efficiencies. This was quickly followed by the launch of the fully responsive Hostelworld website by the end of the Q1, thus successfully completing two large scale projects.

We significantly increased our investment in Conversion Optimisation which has delivered improvements in traffic conversion throughout the year.

In addition to the progress on our fully responsive website, we also made good progress against our commitment to provide a truly contextual experience for our customers ensuring that the Hostelworld App becomes much more than a booking facility and forms part of a customer's journey. We released two significant contextual features, first partnering with Trip.com (formerly Gogobot) in providing destination specific content for Hostelworld mobile app customers. We followed this in quarter four with the launch of the Hostelworld Noticeboard which allows our hostel partners to communicate to Hostelworld customers within the Hostelworld Mobile App with unique content specific to a hostel's activities.

Our mobile led strategy has resulted in mobile (including tablet) representing 49% of Hostelworld brand bookings for the year (2015: 41%).

Pricing and yield management

The year saw encouraging growth in our Elevate programme, with 30% of 2016 Group bookings delivered to properties participating in "Elevate", an increase from 18% in 2015.

The Elevate programme gives accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 8% above the relevant base commission rate. We also offer a premium listing feature, which enables accommodation providers to purchase fixed slots at the top of Hostelworld's and our other brands' results on a monthly cycle. The Elevate functionality was rolled out to the Hostelbookers platform in January 2016.

In 2016, we also enhanced the offering of revenue management services to our properties with the intention of helping them to improve their yield per bednight.

Asia

We continued to focus on increasing our customer base and revenue in emerging markets. In 2016, we grew our hostel supply base by 21% in key Asian markets. Asia remains our fastest growing destination continent with group-wide booking growth of 12% in 2016.

We opened a new office in Seoul and engaged in local marketing to leverage the strong Hostelworld brand awareness in the South Korean marketplace. We demonstrated our medium and long term commitment to this market by continuing to invest in local marketing despite weaker short–term demand for travel to Europe in response to terrorist incidents.

South Korea remains our seventh highest customer nationality for Hostelworld bookings.

Evolving strategic focus

We believe our four strategic pillars have now evolved into core capabilities embedded across the Group. Therefore, towards the end of 2016, we began a review of our strategies to ensure we remain properly focused on the customer and maintain our competitive position in our core markets. We will continue to raise the awareness of the hostelling concept amongst current and potential category users and increasingly drive revenue per customer across our base.

We understand that our travellers are a community of passionate, budget conscious and social travellers of all ages, who see travel as an important part of their life. We shall continue to focus our strategies to deliver a superior experience for our current and future hostel traveller.

During 2017 and beyond we will focus on:

1. **Investing in our Core Product.** Our customers expect a booking platform that delivers a seamless experience that is flexible, fast and frictionless when booking a hostel. We will ensure to keep pace in delivering content and features across all channels and platforms to meet fast changing customer expectations.

2. **Differentiating our offering**. We want to deliver products and features that are unique to the hostel product and enable customers to have a great experience before, during and after the trip.
3. **Establishing a vibrant community.** We understand our customers are passionate about travel and hence want to enable community features that allow them to connect to the hostel and to each other via our platform during all stages of travel (pre-, during-, post-).
4. **Drive loyalty and revenue per customer**. Our customers increasingly expect a personalised service and we want to tailor our experience so they increasingly book with Hostelworld. Our customers also have needs for various different travel services which we can offer on our platform.

The market

The first independent study of the global hostel market was published by Phocuswright in May 2016. This study was based on a hostel operator survey (1,000 respondents), consumer survey of 2,700 hostel travellers from six key consumer markets and 800 non-hostel travellers, as well as a series of interviews with key hostel operators and stakeholders. The findings of the study include:

- Phocuswright projects 7% - 8% hostel revenue growth per year through 2018 for the global hostel market, when it estimates that the total hostel market will reach nearly $7 billion in revenue.
- Hostel travellers are more likely to have university degrees and place travel at the top of their list for discretionary spend, travelling longer and spending more on travel than other travellers in most markets profiled by Phocuswright.
- Online channels accounted for two-thirds of global hostel revenue in 2014 (compared with less than 40% of hotel gross bookings globally). More than 70% of online hostel bookings are made via an online travel agent.

Phocuswright highlighted the substantial opportunity for hostels to expand their clientele beyond their traditional core customer base. Using the US market as an example, it segmented travellers into four categories based on their likelihood of a future hostel stay:

1. **Hostellers**: (15% of total) - Travellers who have stayed in hostels within the past year (Phocuswright's "hostel travellers" comprise the primary market of this study).
2. **Potentials: (31%)** - Non-hostel millennial travellers who indicated that they are at least "moderately" likely to consider hostels for a future leisure trip.
3. **Possibles: (25%) -** Non-hostel millennial travellers who indicated three clear travel attitudes from the question, which make them suitable for the hostel experience:
    a. Price sensitivity;
    b. A desire to have a social experience when traveling (i.e. meet people); and
    c. Privacy was a cited reason for not staying in a hostel.
4. **Unaddressables: (29%)** - Non-hostel millennial travellers who are not price sensitive and are looking for the comfort and amenities of hotels and, therefore, are very unlikely to consider hostels.

Phocuswright's conclusions give us additional confidence in the strength of our target market and the long term opportunities it offers the Group as the leading provider of bookings into this niche market.

People

We continue to invest in talent across the business especially in technology, marketing and other customer facing functions. We are fortunate to retain an excellent and diverse pool of talented individuals working in our global team who are critical to our success and who deliver an exceptional service to our customers. I would like to thank the entire team for their work in 2016.

Outlook

The Group saw improved momentum in the latter part of 2016 which has continued through the first quarter of 2017. Our continued focus on key strategic initiatives is supporting year on year bookings growth, and together with our highly cash generative business model positions us well to benefit from continued market growth.

Feargal Mooney

Chief Executive

27 March 2017

Financial Review

Introduction

- Strong Hostelworld brand bookings growth of 18%, total Group bookings decline of 1%
- Gross average booking value of €11.6, decrease of 4%
- Net revenue was flat on a constant currency basis
- Marketing expenses represented 41% of Net Revenue (2015: 45%)
- Increase in Adjusted EBITDA of 7% on a constant currency basis; 1% reported
- Adjusted EBITDA margin of 30% (2015: 28%)
- Strong underlying cash conversion (90%) and final dividend of 10.4 euro cent per share
- Supplementary dividend of 10.5 euro cent per share

Key Performance Indicators

	2016	**2015**	**% change**
Bookings – Hostelworld brand (m)	6.2	5.2	18%
Bookings – supporting brands and channels (m)	0.9	2.0	-53%
Total Booking Volume (m)	7.1	7.2	-1%
Net Revenue (€m)	**80.5**	**83.5**	**-4%**
Average Booking Value ("ABV") (gross) (€)	11.6	12.1	-4%
Adjusted EBITDA	**23.9**	**23.6**	**1%**

Overall Group bookings declined by 1% in 2016, driven by softer demand in European destinations as a result of geopolitical events, in particular in the second and third quarters, and by the strategy to optimise margin performance especially on the supporting brand channels.

The Group's flagship brand is Hostelworld which now accounts for circa 87% of Group bookings (2015: 73%). The Group has continued to focus its attention and resources on this brand, increasing its relevance to and reach amongst the target young independent traveller as evidenced by its continued strong bookings growth of 18% in 2016 (2015: 17%). Whilst bookings of the Hostelworld brand grew, those of the Group's supporting brands (notably Hostelbookers) were 53% lower in 2016.

Bookings in not-paid-for channels represented 61% of total bookings (2015: 58%). The Group's booking volumes are seasonal and peak between May and August during the summer travel period in the northern hemisphere.

The associated Total Transaction Values ("TTV") in 2016 were €559m (2015: €634m), while average commission rates in 2016 increased to 13.8% (2015: 13.1%).

The total Group bookings decline of 1%, combined with a decrease in Average Booking Value ("ABV") of 4% during the year resulted in an overall decrease in net revenue of €3.0m. The Group's ABV decreased due to a number of factors including the evolving geographic mix, the continued higher proportional growth in bookings of shorter duration including from mobile devices, the greater percentage of bookings into hostel dorm beds and exchange rate movements. These factors were partially offset by increased penetration of the Elevate pricing product. In 2016, 30% (2015: 18%) of Group bookings attracted higher commission at average commission rate of 17.3% (2015: 16.2%).

While the Group operates in one segment and is managed as such, business performance is reviewed on a bookings volume and average booking value basis for both the Hostelworld brand as well as all supporting brands (including Hostelbookers, Hostels.com, booking engines and affiliates).

Adjusted EBITDA

The Group uses Earnings before Interest, Tax, Depreciation and Amortisation, excluding the impact of exceptional 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 are non-recurring and by their nature and size can make interpretation of the underlying trends in the business more difficult. We believe this Adjusted EBITDA measure more accurately reflects the key drivers of profitability for the Group and removes those items which do not impact underlying trading performance, thereby making comparisons more meaningful.

Administration expenses reduced from €64.1m in 2015 to €57.4m in 2016. A key contributory factor was reduced marketing expenses in 2016, which came in at €32.8m in 2016 (41% of Net Revenue) versus €37.4m in 2015 (45% of Net Revenue). This decrease in marketing costs is due to the increased proportion of bookings sourced from non-paid channels and increased efficiencies in managing cost per booking for paid channels.

Total staff costs reduced from €16.9m in 2015 to €16.7m in 2016 with a reduction in headcount from 256 in 2015 to 241 in 2016. Under IFRS, costs relating to product development for which a future benefit is derived is required to be capitalised and amortised over the expected period the benefit is derived. Of the total staff costs incurred, €2.3m was capitalised in 2016 (2015: €4.2m) in relation to product development. This was largely relating to mobile developments and increased usability of our platform.

Reconciliation between Operating Profit and Adjusted EBITDA:

€m	2016	2015
Operating profit	0.2	7.2
Depreciation	0.9	0.8
Amortisation of development costs	3.2	1.4
Amortisation of acquired intangible assets	10.6	9.9
Impairment charges	8.2	0.0
Exceptional items	0.4	4.3
Share option charge	0.4	0.0
Adjusted EBITDA	**23.9**	**23.6**

Exceptional items for the year were €0.4m, primarily redundancy related costs (2015: €4.3m). Exceptional items during 2015 of €4.3m mostly related to fees incurred in relation to the IPO.

Adjusted EBITDA increased from €23.6m in 2015 to €23.9m in 2016 driven by prudent cost management. Adjusted EBITDA margin increased from 28% of net revenue in 2015 to 30% in 2016.

Adjusted Profit after Taxation

€m	2016	2015
Adjusted EBITDA	23.9	23.6
Depreciation	(0.9)	(0.8)
Amortisation of development costs	(3.2)	(1.4)
Corporation tax	(0.5)	(0.4)
Adjusted Profit after Taxation	**19.4**	**21.0**
Exceptional costs	(0.4)	(4.3)
Amortisation of acquired intangibles	(10.6)	(9.9)
Net financial costs	(0.1)	(30.9)
Other gains	0.0	104.2
Share option charge	(0.4)	0.0
Impairment charges	(8.2)	0.0
Deferred taxation	1.1	1.0
Profit for the year	**0.8**	**81.2**

Adjusted Profit after Taxation is a metric that the Group uses to calculate the dividend payout for the year, subject to Company Law requirements regarding distributable profits. It excludes exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share option charges and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Adjusted Profit after Taxation decreased from €21.0m to €19.4m due to higher amortisation of development costs in 2016.

Based on the weighted average shares in issue during 2016, reported Earnings per Share ("EPS"), as set out in Note 10 to the financial statements is 0.01 euro cent per share for the financial year (2015: earnings per share 4.46 euro cent). Using Adjusted Profit after Taxation as the measure of earnings would result in an adjusted EPS of 20 euro cent per share for the year. The corresponding EPS for 2015 calculated on the same basis, using the number of shares in issue as at 31 December 2015 is 22 euro cent per share.

Other gains and net finance costs

Given that the capital nature of the Group post IPO is fully equity funded, there is no net finance charge in 2016.

In 2015, as part of the IPO, €181.4m was paid to former shareholders of the Group as consideration for preference shares and the redemption of shareholder loans and accrued interest. The remaining balance of shareholder loans and interest was waived or exchanged for shares in the newly listed entity. This resulted in an exceptional gain of €104.2m in 2015. Interest accrued on former shareholder loans up to the date of the IPO was €30.9m.

Share Based Payments

The Group implemented a long term incentive plan in April 2016 as detailed in the Remuneration Report and, in accordance with IFRS2, has recognised a non-cash charge of €0.4m (2015: €nil).

Impairment Charge

In 2016, following a review of trading performance and due to bookings and revenue being less than previously projected in the associated legal entity, the directors reassessed the estimated future cashflows associated with the Hostelbookers intellectual property assets. This led to the recognition of an impairment charge of €8.2m in relation to the value of the Hostelbookers domain names. The estimated useful life of these domain names was also reduced to a period of eight years from 1 January 2016.

Taxation

The Group corporation tax charge of €0.5m (2015: €0.4m) results in an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 2.0% (2015: 1.5%). The low effective tax rate is primarily as a result of carried forward tax losses arising from the previous capital structure of the Group.

The outcome of the impairment review resulted in a reduction in the carrying value of the deferred tax liability. This was partially offset by the amortisation of deferred tax assets, resulting in overall net deferred tax credit of €1.1m in 2016.

The deferred taxation credit of €1.0m in 2015 arose primarily in relation to acquired intangibles and the partial recognition of carried forward tax losses.

Adjusted Free Cashflow conversion

€m	**2016**	**2015**
Adjusted EBITDA	23.9	23.6
Capitalised development spend	(2.4)	(4.3)
Capital expenditure	(0.7)	(3.2)
Interest and tax paid	(0.3)	0.2
Net movement in working capital (1)	1.0	(1.1)
Adjusted Free Cashflow	**21.5**	**15.3**
Adjusted FCF conversion	*90%*	*65%*

(1) *changes in working capital excludes the effects of exceptional costs*

The Group has a business model which produces strong free cash flow conversion, with a negative working capital cycle on operational cash flows. In 2015 there was a higher than normal level of investment in capital expenditure due to spend of €2.0m on leasehold improvements and fixtures and fittings as the Group entered into new leases in London and Dublin. In 2016, investment in leasehold improvements and fixtures and fittings amounted to €0.03m. The lower level of capitalised development expenditure and capital expenditure in 2016 has resulted in adjusted free cashflow conversion of 90%.

On 21 October 2015, in connection with the IPO, the Group entered into a working capital facility with AIB Bank plc (the "Revolving Credit Facility") for €2.5m. During the year end to 31 December 2016, there have been no drawdowns under this facility (period to 31 December 2015: €nil).

Total Cash at 31 December 2016 was €24.6m (2015: €13.6m), of which €nil is restricted (2015: €2.2m held in a restricted account as part of a guarantee related to the lease of the Dublin office). In 2015, the Group entered into a guarantee with AIB Bank plc related to the lease of office space in Dublin (as disclosed in Note 12 to the financial statements). The guarantee initially required that €2.2m remain on deposit with the bank. This requirement was removed by AIB Bank plc during 2016. There were no borrowings at 31 December 2016 (2015: €nil).

Foreign exchange risk

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. Restated on a constant currency basis, revenues have increased by 0.1% (€0.1m) and Adjusted EBITDA has increased by 7% (€1.5m) in 2016. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2016 to the financial results for the year ended 31 December 2015. The Group's principal policy is to match cashflows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

Dividend

The Group is committed to an attractive dividend policy, and is pleased to recommend a full year final dividend payout of €9.9m equating to 10.4 euro cent per share. This is in addition to the interim dividend of 4.8 euro cent per share paid in September 2016. This payout of €14.5m or 15.2 euro cent per share reflects a distribution of 75% of the Adjusted Profit after Taxation for the year ended 31 December 2016. In May 2016, the Group paid a maiden dividend of €2.6m or 2.75 cent per share in respect of the period from Admission on 02 November 2015 to 31 December 2015.

The Board has reviewed its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment opportunities. In the absence of other investment opportunities at present, and in recognition that the Group's cash resources are currently greater than those required to meet the prudent requirements of the business, the Board is proposing to distribute €10.0m of surplus cash to shareholders via a supplementary dividend. This supplementary dividend of 10.5 euro cent per share is discretionary and non-recurring. It will be paid to shareholders on the register at 28 April 2017. The Board will keep under review the best method of returning surplus cash to shareholders, including by way of a supplementary dividend or a share buy-back.

Mari Hurley
Chief Financial Officer
27 March 2017

HOSTELWORLD GROUP PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Revenue	3	**80,514**	83,451
Administrative expenses	4	**(57,397)**	(64,087)
Depreciation and amortisation	4	**(14,731)**	(12,170)
Impairment losses	4	**(8,199)**	-
Operating profit		**187**	7,194
Financial income		**5**	8
Financial costs	7	**(59)**	(30,866)
Other gains	7	**-**	104,158
Profit before taxation		**133**	80,494
Taxation	8	**651**	680
Profit for the year attributable to the equity owners of the parent company		**784**	81,174
Basic and diluted earnings per share (cents)	9	**0.01**	4.46

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 €'000	2015 €'000
Profit for the year	**784**	81,174
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(680)**	333
Total comprehensive income for the year attributable to equity owners of the parent company	**104**	81,507

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Non-current assets			
Intangible assets	10	**139,619**	158,972
Property, plant and equipment		**3,058**	3,523
Deferred tax assets		**659**	1,325
		143,336	163,820
Current assets			
Trade and other receivables	11	**2,627**	3,249
Corporation tax		**-**	3
Cash and cash equivalents	12	**24,632**	13,620
		27,259	16,872
Total assets		**170,595**	180,692
Issued capital and reserves attributable to equity owners of the parent			
Share capital		**956**	956
Other reserves		**3,628**	3,628
Foreign currency translation reserve		**15**	695
Share based payment reserve		**351**	-
Retained earnings		**154,986**	161,418
Total equity attributable to equity holders of the parent company		**159,936**	166,697
Non-current liabilities			
Deferred tax liabilities		**764**	2,563
		764	2,563
Current liabilities			
Trade and other payables	13	**9,669**	11,405
Corporation tax		**226**	27
		9,895	11,432
Total liabilities		**10,659**	13,995
Total equity and liabilities		**170,595**	180,692

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2015	30	13,521	(158,101)	-	362	-	(144,188)
Elimination on reorganisation	(30)	(13,521)	-	-	-	-	(13,551)
Issue of capital (net of costs)	956	238,345	-	-	-	-	239,301
Merger reserve	-	-	-	3,628	-	-	3,628
Capital reduction	-	(238,345)	238,345	-	-	-	-
Total comprehensive income for the year	-	-	81,174	-	333	-	81,507
As at 31 December 2015	956	-	161,418	3,628	695	-	166,697
Total comprehensive income/(expense) for the year	**-**	**-**	**784**	**-**	**(680)**	**-**	**104**
Dividends	**-**	**-**	**(7,216)**	**-**	**-**	**-**	**(7,216)**
Credit to equity for equity-settled share based payments	**-**	**-**	**-**	**-**	**-**	**351**	**351**
As at 31 December 2016	**956**	**-**	**154,986**	**3,628**	**15**	**351**	**159,936**

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Profit before tax		**133**	80,494
Depreciation of property, plant and equipment	4	**886**	813
Amortisation of intangible assets	4	**13,845**	11,357
Impairment of intangible assets	4	**8,199**	-
Transaction costs (included within financing activities)		**-**	4,546
Loss on disposal of property, plant and equipment	4	**19**	251
Financial income		**(5)**	(8)
Financial expense	7	**59**	30,866
Other gains	7	**-**	(104,158)
Employee equity settled share based payment expense	15	**362**	-
Changes in working capital items:			
Decrease in trade and other payables		**(1,553)**	(940)
Increase in trade and other receivables		**(24)**	(1,117)
Cash generated from operations		**21,921**	22,104
Interest paid		**(59)**	(79)
Interest received		**5**	8
Income tax (paid)/refunded		**(280)**	319
Net cash from operating activities		**21,587**	22,352
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets		**(2,500)**	(4,321)
Purchases of property, plant and equipment		**(746)**	(3,168)
Net cash used in investing activities		**(3,246)**	(7,489)
Cash flows from financing activities			
Dividends	17	**(7,216)**	-
Repayment of shareholders' loans		**-**	(195,125)
Proceeds on issue of shares, net of expenses		**-**	173,607
Net cash used in financing activities		**(7,216)**	(21,518)
Net increase/(decrease) in cash and cash equivalents		**11,125**	(6,655)
Cash and cash equivalents at the beginning of the year		**13,620**	19,942
Effect of exchange rate changes on cash and cash equivalents		**(113)**	333
Cash and cash equivalents at the end of the year		**24,632**	13,620
Restricted cash balances	12	**-**	(2,225)
Unrestricted cash balances at the end of the year		**24,632**	11,395

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The financial information, comprising of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows and related notes, has been taken from the consolidated financial statements of Hostelworld Group plc ("Company") for the year ended 31 December 2016, which were approved by the Board of Directors on 27 March 2017. The financial information does not constitute statutory accounts within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards ("IFRS").

An unqualified report on the consolidated financial statements for the year ended 31 December 2016 has been given by the auditors, Deloitte. It did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 1 June 2017.

The Company, is a public limited company incorporated in the United Kingdom on the 9 October 2015. The registered office of the Company is High Holborn House, 52 - 54 High Holborn, London, WC1V 6RL, United Kingdom.

The Company and its subsidiaries (together “the Group”) provide software and data processing services that facilitate hostel, B&B, hotel and other accommodation bookings worldwide.

Basis of Preparation

The consolidated financial statements incorporate the financial statements of the Company and its directly and indirectly owned subsidiaries, all of which prepare financial statements up to 31 December. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006, applicable to companies reporting under IFRS. The Group financial statements have been prepared in accordance with IFRSs adopted by the European Union (“the EU”) which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”).

On 2 November 2015, as part of a reorganisation, the ultimate parent of the Group changed from H&F Wings Lux 1 S.à r.l to Hostelworld Group plc. On that date, the Company obtained control of the entire share capital of Wings Lux 2 S.à r.l which in turn owned the entities within the existing Hostelworld Group. This transaction falls outside the scope of IFRS 3 “Business Combinations”. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the transaction has been accounted for in these financial statements using the principles of merger accounting set out in FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction.

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The directors have assessed the ability of the Company and Group to continue as a going concern and are satisfied that it is appropriate to prepare the financial statements on a going concern basis of accounting. In doing so, the directors have assessed that there are no material uncertainties to the Group's and Company's ability to continue as a going concern for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 considered relevant. Actual results may differ from these estimates.

(a) The critical judgements that have been made that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below:

Useful lives for amortisation of intangible assets

Intangible assets are disclosed in Note 10. The amortisation charge is dependent on the estimated useful lives of the assets. The directors regularly review estimated useful lives of each type of intangible asset and change them as necessary to reflect its current assessment of remaining lives and the expected pattern of future economic benefit embodied in the asset. Changes in asset lives can have a significant impact on the amortisation charges for that year.

Capitalisation of Development Costs

Development costs are capitalised in accordance with accounting policies. Determining the amount to be capitalised requires the directors to make assumptions regarding expected future cash generation of the asset and expected period of benefit.

(b) *Key sources of estimation that have been made that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below:*

Impairment of goodwill and intangible assets

The directors assess annually whether goodwill has suffered any impairment, in accordance with the relevant accounting policy, and the recoverable amounts of cash-generating units are determined based on value-in-use calculations that require the use of estimates. Intangible assets are assessed for possible impairment where indicators of impairment exist.

Following an impairment review of the Hostelbookers intellectual property assets (see Note 10), the Directors reassessed the estimated remaining useful life of the related domains and reassessed the remaining useful life as being 8 years from the start of 2016. The Group had previously assessed the useful economic life as being 17 remaining years from the start of 2016. This had an impact of increasing the amortisation charge for the year by €629k.

Further details on the assumptions used are set out in Note 10.

Deferred Tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available in future periods against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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 worldwide, including ancillary on-line advertising revenue.

The directors determine and present operating segments based on the information that is provided internally to the CEO, 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 profit/(loss) after tax of the Group for the year. 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 segmental revenue is derived wholly from external customers and, as the Group has a single reportable segment, inter-segment revenue is zero.

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:

	2016 **€'000**	2015 €'000
Europe	**49,497**	53,812
Americas	**14,938**	14,951
Asia, Africa and Oceania	**16,079**	14,688
Total revenue	**80,514**	83,451

The Group's non-current assets are located in Ireland, Luxembourg and the UK. Out of the total non-current assets in the Group of €143,336k (2015: €163,820K), the non-current assets of the group located in the UK are €4,259k (2015: €14,252k).

4. OPERATING EXPENSES

Profit for the year has been arrived at after charging/(crediting) the following operating costs:

	Note	**2016 €'000**	2015 €'000
Marketing expenses		**32,842**	37,410
Credit card processing fees		**1,931**	1,958
Staff costs	6	**14,359**	12,721
Loss on disposal of property, plant and equipment		**19**	251
FX (gain)/loss		**(214)**	239
Exceptional Items	5	**449**	4,267
Other administrative costs		**8,011**	7,241
Total administrative expenses		**57,397**	64,087
Depreciation of tangible fixed assets		**886**	813
Amortisation of intangible fixed assets	10	**13,845**	11,357
Impairment of intangible assets	10	**8,199**	-
Total operating expenses		**80,327**	76,257

Auditors' remuneration

During the year, the Group obtained the following services from its Auditors:

	2016 €'000	2015 €'000
Fees payable for the statutory audit of the Company	**35**	35
Fees payable for other services:		
- statutory audit of subsidiary undertakings	**115**	115
- tax advisory services	**-**	4
- other assurance services	**-**	191
- corporate finance services	**-**	854
- other services	**12**	91
Total	**162**	1,290

The figures in 2015 relating to other assurance services, corporate finance services and other services all relate to the IPO and Group reorganisation which occurred in November 2015.

5. EXCEPTIONAL ITEMS

	2016	2015
	€'000	€'000
Merger and acquisition (credit)/costs	**(64)**	3,994
Redundancy costs	**526**	211
Integration and relocation (credit)/costs	**(13)**	573
Non-recurring gain	**-**	(511)
Total exceptional items	**449**	4,267

Foreign exchange rate and other movements between recognition and settlement dates drove the write back of certain previously recognised exceptional items. 2016 redundancy costs mostly relate to the restructuring of certain Group functions following the consolidation of Hostelbookers onto the Hostelworld technology platform. Merger and acquisition costs were incurred during 2015 in relation to the listing of the Company (the "IPO"), and the related reorganisation of the Group. 2015 Redundancy costs relate to the restructuring of the Group following the acquisition of Hostelworld Services Limited (formerly Hostelbookers.com Limited) in 2013. The integration and relocation costs in 2015 primarily related to the costs incurred for office moves in both Dublin and London. The non-recurring gain in 2015 of €511k related to the release of an accrual related to the potential indirect taxes of the Hostelbookers business where the liability was settled in 2015.

6. STAFF COSTS

The average monthly number of people employed (including executive directors) was as follows:

	2016	2015
Average number of persons employed		
Administration and sales	**154**	155
Development and information technology	**87**	101
Total number	**241**	256

The aggregate remuneration costs of these employees is analysed as follows:

	Notes	**2016 €'000**	2015 €'000
Staff costs comprise:			
Wages and salaries		**14,162**	14,756
Social security costs		**1,591**	1,669
Pensions costs		**316**	240
Other benefits		**239**	233
Long-term employee incentive costs	15	**362**	-
Capitalised development labour		**(2,311)**	(4,177)
Total		**14,359**	12,721

7. FINANCIAL COSTS AND OTHER GAINS

	2016	2015
	€'000	€'000
Finance costs:		
Interest payable on shareholders' loans	**-**	30,786
Bank charges	**59**	80
Total finance costs	**59**	30,866

Other gains
Other gains in 2015 related solely to the write off of shareholder loans of €104,158k as part of the Group reorganisation in November 2015.

8. TAXATION

	2016	2015
	€'000	€'000
Corporation tax:		
Current year	**440**	297
Adjustments in respect of prior years	**27**	58
Total	**467**	355
Deferred tax	**(1,118)**	(1,035)
Total	**(651)**	(680)

Corporation tax is calculated at 12.5% (2015: 12.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the consolidated income statement as follows:

	2016	2015
	€'000	€'000
Profit before tax on continuing operations	**133**	80,494
Tax at the Irish corporation tax rate of 12.5% (2015: 12.5%)	**17**	10,062
Effects of :		
Tax effect of expenses/(income) that are not taxable/deductible in determining taxable profit	**436**	(8,228)
Tax effect of utilisation of tax losses not previously recognised	**(166)**	(1,767)
Capital allowances in excess of depreciation	**(1,753)**	(416)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**134**	280
Reversal/(recognition) of deferred tax asset on tax losses	**654**	(669)
Adjustments in respect of prior years	**27**	58
Total for the year	**(651)**	(680)

The Group has an unrecognised deferred tax asset as at 31 December 2016 of €3,527k (31 December 2015:€3,834k) which has not been recognised in the consolidated financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

9. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Weighted average number of shares in issue (‘000s)	**95,571**	18,217
Profit for the year (€’000s)	**784**	81,174
Basic and diluted earnings cents per share	**0.01**	4.46

Actual earnings per share, calculated by dividing the net profit attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2016, is €0.01 (2015: earnings per share of €0.85).

10. INTANGIBLE ASSETS

The table below shows the movements in intangible assets for the year:

	Goodwill €'000	Domain Names €'000	Technology €'000	Affiliates Contracts €'000	Capitalised Development Costs €'000	Total €'000
Cost						
Balance at 1 January 2015	47,274	214,640	13,325	5,500	1,414	282,153
Additions	-	-	-	-	4,333	4,333
Disposals	-	-	-	-	-	-
Effect of foreign currency exchange difference	-	-	-	-	(12)	(12)
Balance at 31 December 2015	47,274	214,640	13,325	5,500	5,735	286,474
Balance at 1 January 2016	**47,274**	**214,640**	**13,325**	**5,500**	**5,735**	**286,474**
Additions	**-**	**-**	**118**	**-**	**2,385**	**2,503**
Transfer from tangible assets	**-**	**-**	**383**	**-**	**-**	**383**
Effect of foreign currency exchange difference	**-**	**-**	**(12)**	**-**	**-**	**(12)**
Balance at 31 December 2016	**47,274**	**214,640**	**13,814**	**5,500**	**8,120**	**289,348**
Accumulated amortisation and impairment						
Balance at 1 January 2015	(29,426)	(68,102)	(12,701)	(5,500)	(416)	(116,145)
Charge for year	-	(9,687)	(235)	-	(1,435)	(11,357)
Balance at 31 December 2015	(29,426)	(77,789)	(12,936)	(5,500)	(1,851)	(127,502)
Balance at 1 January 2016	**(29,426)**	**(77,789)**	**(12,936)**	**(5,500)**	**(1,851)**	**(127,502)**
Charge for year	**-**	**(10,316)**	**(326)**	**-**	**(3,203)**	**(13,845)**
Impairment	**-**	**(8,199)**	**-**	**-**	**-**	**(8,199)**
Transfer from tangibles assets	**-**	**-**	**(187)**	**-**	**-**	**(187)**
Effect of foreign currency exchange difference	**-**	**-**	**4**	**-**	**-**	**4**
Balance at 31 December 2016	**(29,426)**	**(96,304)**	**(13,445)**	**(5,500)**	**(5,054)**	**(149,729)**
Carrying amount						
At 31 December 2015	17,848	136,851	389	-	3,884	158,972
At 31 December 2016	**17,848**	**118,336**	**369**	**-**	**3,066**	**139,619**

Goodwill

The goodwill balance at 31 December 2016 relates to an investment in Hostelworld.com Limited in 2009 which resulted in a goodwill amount of €17,848k. The carrying value of this balance as at 31 December 2016 is €17,848k (2015: €17,848k).

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 12 years. The cash-flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

The pre-tax discount rate which has been applied in determining value in use is 13.7% (2015: 11.4%). The discount rate is based on the Group estimated weighted average cost of capital adjusted for the business specific risk of the CGU. Based on the 2017 budget, growth rates are assessed based on approved budgets and forecast and range from 5% to 10% over the forecast period after 2017. Cash flows beyond the 15 year period are extrapolated using the estimated long- term growth rate of 2% (2015: 2%).

Following impairment testing, no impairment was recognised for goodwill in 2016.

Other Intangible Assets

Additions during the year comprised of internally generated additions of €2,311k (2015:€4,177k) and other separately acquired additions of €192k (2015:€156k).

In 2016, following a review of trading performance and due to bookings and revenue being less than previously projected, the directors reassessed the estimated cashflows associated with the Hostelbookers intellectual property assets. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 4 years in accordance with the remaining estimated useful life. The cash-flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies. There are no reasonable possible changes to the assumptions presented above that would result in any further impairment recorded in each of the years presented in these financial statements.

The pre-tax discount rate which was applied in determining value in use was 14.7%. The discount rate was based on the Group estimated weighted average cost of capital adjusted for business specific risk of the CGU.

Following the impairment testing, an impairment charge of €8,199k was recognised in relation to the value of the Hostelbookers domain names. There were no indicators to require an impairment test of other intangible assets in the current year.

The estimated useful life of these domain names was also reduced to a period of 8 years from 1 January 2016 to be amortised on a reducing balance basis.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	€'000	€'000
Amounts falling due within one year		
Trade receivables	**892**	621
Prepayments and accrued income	**731**	822
Value Added Tax	**1,004**	1,806
	2,627	3,249

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 4 days (2015: 3 days). Given the nature of the business, allowance for impairment of receivables is not material.

12. CASH AND CASH EQUIVALENTS

	2016	2015
	€'000	€'000
Cash and cash equivalents	**24,632**	13,620
Restricted cash balances	**-**	(2,225)
Unrestricted cash balances	**24,632**	11,395

The Group entered into a guarantee with AIB Bank plc during 2015 related to the lease of office space in Dublin. The guarantee initially required that €2,225k remain on deposit with the bank. The requirement was removed by AIB Bank plc during 2016.

13. TRADE AND OTHER PAYABLES

	2016	2015
	€'000	€'000
Amounts falling due within one year		
Trade payables	**3,344**	5,439
Accruals and other payables	**5,797**	5,168
Payroll taxes	**524**	694
Value Added Tax	**4**	104
	9,669	11,405

The average credit period for the Group in respect of trade payables is 32 days (2015: 26 days).

14. COMMITMENTS AND CONTINGENCIES

(i) OPERATING LEASES

At the reporting date, the Group had commitments under non-cancellable operating leases which fall due as follows:

	2016	2015
	€'000	€'000
Operating leases		
Within one year	**933**	994
Within two to five years	**3,118**	3,682
More than five years	**1,864**	2,433
	5,915	7,109

All operating lease commitments relate to buildings. These relate to two leases of office space in the UK and Ireland. These leases are due to expire in 2025 and 2035 respectively. If the Group was to exercise available break options, the leases would expire in 2020 and 2025 respectively.

The operating lease charge included in the consolidated income statement was €1,003k in 2016 (2015: €928k).

(ii) CONTINGENCIES

In the normal course of business the Group may be subject to indirect taxes on its services in certain foreign jurisdictions. The directors perform ongoing reviews of potential indirect taxes in these jurisdictions. Although the outcome of these reviews and any potential liability is uncertain, no provision has been made in relation to these taxes as the directors believe that it is not probable that a material liability will arise.

15. SHARE-BASED PAYMENTS

The Group has a share option scheme for executives and selected management of the Company and its subsidiaries. The first awards were granted in 2016. The Group recognised an expense of €362k (2015: €NIL) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the year.

2016 Long Term Incentive Plan Scheme ("LTIP")

In April 2016, the Group introduced a Long Term Incentive Plan. An invitation to participate was made to Executive Directors and selected management. The proportion of the invitation which vests, will depend on the Adjusted Earnings per Share (EPS) performance and Total Shareholder Return (TSR) of the Group over a three year period ("the performance period"). The invitations made in 2016 will potentially vest in 2019.

Up to 70% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance indicators approved by the Remuneration committee. An invitation will lapse if a participant ceases to be an employee or an officer within the Group before the vesting date.

A summary of the status of the LTIP as at 31 December 2016 is presented below:

Option series	**Number**	**Grant date**	**Expiry date**	**Exercise price**	**Fair value at grant date**
Granted on 5 April 2016	928,464	5 April 2016	5 April 2023	€Nil	€3.88

Details of the share options outstanding during the year are as follows:

	2016 Number of share options
Outstanding at beginning of year	-
Granted during the year	928,464
Forfeited during the year	-
Exercised during the year	-
Expired during the year	-
Outstanding at the end of the year	**928,464**
Exercisable at the end of the year	-

The awards will vest on the later of the 3rd anniversary of the grant and the determination of the performance condition, and will then remain exercisable until the 7th anniversary of the date of grant, provided the individual remains an employee or officer of the Group. Although the awards will vest in 2019 the measurement period for performance conditions is over 3 years from 1 January 2016 to 31 December 2018.

Share options under the LTIP scheme have an exercise price of nil. The remaining weighted average life for share options outstanding is 2.26 years.

Fair value of options granted during the year:

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

Invitation grant award date	5 April 2016
Year of potential vesting	2019
Share price at grant date	€3.11
Exercise price per share option	€NIL
Expected volatility of company share price	30%
Expected life	3 years
Expected dividend yield	5.1%
Risk free interest rate	0.4%
Weighted average fair value at grant date	€3.88
Valuation model	Monte Carlo model

Expected volatility was determined in line with market performance of the company and comparator companies as there was insufficient historic data available for the company at the grant date of the awards. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. Non-market based performance conditions, such as the EPS conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest

16. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

The following is a list of the Company's current investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest:

Company	Place of Business and Registered Office	Holding	Nature of Business
Wings Lux 2 S.à r.l.	Luxembourg	100%*	Intermediate holding company
Wings Lux 3 S.à r.l.	Luxembourg	100%	Intermediate holding company
Wings Holdco Ltd	Ireland	100%	Intermediate holding company
WRI Nominees DAC	Luxembourg**	100%*	Holding of IP
Hostelworld.com Ltd	Ireland	100%*	Technology trading company
Hostelworld Korea Ltd	Korea	100%	Marketing services company
Cornetto Bidco Ltd	Jersey	100%	Intermediate holding company
Hostelworld Services Limited	UK	100%	Technology trading company

** held directly by the Company*
*** WRI Nominees DAC is dually incorporated in Luxembourg and Ireland with registered offices in both locations. Its place of business is in Luxembourg.*

All subsidiaries have the same reporting date as the Company being 31 December.

On 22 February 2016, H&F Wings Bidco Limited changed its name to Wings Bidco Limited and H&F Wings Holdco Limited changed its name to Wings HoldcoLimited.

On 26 February 2016, H&F Wings Lux 2 S.à r.l. changed its name to Wings Lux 2 S.à r.l. and H&F Wings Lux 3 S.à r.l. changed its name to Wings Lux 3 S.à r.l.

On 14 March 2016, Hostelworld Korea Limited was incorporated.

On 12 April 2016, Anytrip.com Limited was dissolved.

On 28 June 2016, Wings Holdco Limited and Hostelworld.com Limited converted to a private company limited by shares and WRI Nominees Limited converted to a designated activity company.

During 2016 a decision was made to wind up the following companies by way of members' voluntary winding up: Boo Travel Limited, Wings Corporate Services Limited, WRI Holdings, Wings Bidco Limited and Web Reservations International.

DIRECTORS' REMUNERATION

	2016	2015
	€'000	€'000
Salaries, fees, bonuses and benefits in kind	**958**	956
Amounts receivable under long-term incentive schemes	**122**	-
Pension contributions	**57**	23
Total	**1,137**	979

KEY MANAGEMENT PERSONNEL

The Group's key management comprise the Board of Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group.

	2016	2015
	€'000	€'000
Short term benefits	**2,090**	2,342
Share based payments	**252**	-
Post employment benefits	**112**	52
Total	**2,454**	2,394

Transactions between the Group and the Related Parties and the balances outstanding are disclosed below:

During 2016, the former controlling shareholder of the Group, H&F Wings Lux 1 S.à r.l. paid a discretionary bonus payment of €1,559k (€1,400k net of employer taxes) to certain senior management and employees of the Group in relation to their performance up to the date of Admission. The Group did not bear any costs associated with this payment. Mr. Feargal Mooney, executive director and CEO, received an award of €850k.

In 2015, the former controlling shareholder of the Group, H&F Wings Lux 1 S.à r.l. agreed to pay Richard Segal a sum of €5,000k (net sum of €2,500k) and any employer tax liability that accrued to the company in full satisfaction of an agreement with him dated 28 September 2011. For administration purposes the sum was paid by the Group and reimbursed by the shareholders.

Trading transactions made by the Group with H&F Wings Lux 1 S.à.r.l, and its related entites during the year amounted to €Nil (2015: €5,893k).

17. DIVIDENDS

Amounts recognised as distributions to equity holders in the financial year:

	2016	2015
	€'000	€'000
Final 2015 dividend of €0.0275 per share (paid 31 May 2016)	**2,628**	**-**
Interim 2016 dividend of €0.048 per share (paid 27 September 2016)	**4,588**	**-**
	7,216	-
Proposed final dividend for the year ended 31 December 2016 of €0.104 per share (2015: €0.0275 per share)	**9,939**	2,628
Proposed supplementary dividend of €0.105 per share (2015: €nil)	**10,035**	-

In accordance with the Group's dividend policy, the directors recommend the payment of a final dividend for 2016 of €0.104 per share amounting to €9.9m (2015: €0.0275 per share amounting to €2.6m).

Additionally the directors recommend the payment of a discretionary, non-recurring supplementary dividend of €0.105 per share amounting to €10.0m (2015: €nil).

The proposed dividends are to be approved by the shareholders at the 2017 AGM on 1 June 2017.

18. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.