Hostelworld Group plc
(“Hostelworld” or the “Group”)
2019 Interim Results Announcement

Roadmap for Growth progressing well

21 August 2019: Hostelworld, the global hostel-focussed online booking platform, is pleased to announce its interim results for the period ended 30 June 2019.

Operational & Financial Summary

- The Group delivered revenue of €38.8m in H1 2019 (H1 2018: €42.6m). Excluding the impact of deferred revenue[1], Group revenue was €43.2m (H1 2018: €46.8m)
- Hostelworld brand gross bookings of 3.7m in H1 2019 (H1 2018: 3.8m). Group total gross bookings of 3.8m (H1 2018: 4.0m) reflecting the continued managed decline in supporting brands
- Net of cancellations Hostelworld brand bookings of 3.4m (H1 2018: 3.7m). Total Group bookings of 3.5m (H1 2018: 3.9m)
- Average Booking Value (“ABV”) of €12.8 (H1 2018: €12.2), a 6% increase on H1 2018, 2% increase on a constant currency basis
- 7% increase in net bookings from the app (from 36% of net bookings in H1 2018 to 43% of net bookings in H1 2019)
- The Group delivered Adjusted EBITDA[2] of €8.9m in H1 2019 (H1 2018: €10.4m), a 15% decrease (9% decrease when excluding the impact of deferred revenue)
- Adjusted Earnings per Share[2] of 6.44 euro cent (H1 2018: 7.93 euro cent)
- Strong cash flow generation with adjusted free cash conversion of 108% (H1 2018: 131%) and adjusted free cash flow[2] of €9.6m (H1 2018: €13.6m)
- Interim dividend of 4.2 euro cent per share (H1 2018: 4.8 euro cent), in line with stated dividend policy. We continue to review all options on how we return capital to shareholders

Strategic Highlights

- ‘Roadmap for Growth’ strategy to invest in our core platform is progressing well, with investment in key elements including core search experience, payments, customer booking experience, rate plans, 3rd party connectivity and supplier facing platforms
- Strategic investment of US$3m announced in Tipi Pty Ltd (“Tipi”), an innovative hostel focussed technology company which will complement our product offering benefiting our customers and hostel partners
- Strengthened management team with appointment of new Chief Supply Officer, Chief Marketing Officer and Chief Human Resources Officer.

Gary Morrison, Chief Executive Officer, commented:

“While we are pleased with overall progress made during H1, particularly with regards to our ‘Roadmap for Growth’ strategy, booking demand over the peak summer period has been somewhat lower than anticipated. The first half financial performance was also significantly impacted by higher than anticipated inflation in performance marketing channels and the effect of the full global roll out of the free cancellation product being included for the whole period for the first time.

As noted, we have made good progress on our 'Roadmap for Growth' strategy during the first half of the year, including improving the core search experience and adding unique hostel content, in addition to initial steps to improve our connectivity with our hostel partners and suppliers. We have also announced a strategic investment in Tipi, an innovative hostel focussed technology company, which will enhance our product offering for both our customers and hostel partners.

The market remains highly competitive and as noted in our AGM statement, this continued into the peak summer period. Coupled with higher than anticipated inflation in performance marketing channels and the financial effect of increased investment in our 'Roadmap for Growth' during the second half of the year, means that EBITDA for the full year is likely to be below 2018.

We continue to operate in an attractive and growing market, and I remain confident about the opportunity to capitalise on the significant growth opportunities we have identified. I believe the operational and strategic improvements we have put in place in the first half, should enable us to return the business to volume growth during 2020 and we continue to assess opportunities, both organic and inorganic, which could enable us to accelerate that growth."

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 attend or dial into the presentation, please contact Powerscourt on the contact details provided below.

A copy of the presentation will be available on our Group website www.hostelworldgroup.com

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Notes

[1] Deferred revenue is the result of the rollout of our free cancellation booking option in 2018, which was a key product release to broaden our customer offering. €4.4m (H1 2018: €4.2m) of revenue collected from customers will be recognised, net of any future cancellations, once the option to cancel the booking has passed.

[2] The Group has adopted IFRS 16 Leases from 1 January 2019, as disclosed in note 2 to the condensed consolidated financial statements. The Group has applied the modified retrospective approach, and as a result it has not restated prior periods on adoption in its financial statements. For comparative purposes several H1 2018 comparatives have been restated in this announcement to reflect the impact of adopting IFRS 16, in order to give a true and fair comparative of underlying performance.

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Hostelworld Group plc

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About Hostelworld Group

Hostelworld Group is a global hostel-focussed online booking platform, sparking social experiences for young and independent travellers.

Our customers are not your average tourists; they crave unique experiences that we facilitate with the best choice of hostels around the world offered in 19 languages across the website and 13 languages on our app of our core brand Hostelworld.

We have 20 years' experience as the hostel Online Travel Agent ("OTA") experts, and today we work with over 17,400 hostel properties globally, in addition to 20,000 other forms of budget accommodation.

Our customers have access to an extensive database of more than 12 million customer reviews which allows them to choose the hostel that's right for them.

Since 1999 we've partnered with hostels worldwide, enabling them to manage and distribute their inventory to our highly engaged and valuable global customer base.

HOSTELWORLD GROUP PLC

INTERIM MANAGEMENT REPORT

To the members of Hostelworld Group plc

Cautionary statement

This Interim Management Report (IMR) has been prepared solely 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

Operational review

While we are pleased with overall progress made during H1, particularly with regards to our 'Roadmap for Growth' strategy, the softness in booking demand noted in our AGM statement continued over the peak summer period resulting in overall bookings being somewhat lower than anticipated. The first half financial performance was also significantly impacted by higher than anticipated inflation in performance marketing channels and the effect of the full global roll out of the free cancellation product being included for the whole period for the first time.

Strategic update

In our most recent annual report, we detailed the Group's 'Roadmap for Growth' programme which was developed in order to capitalise on the significant growth opportunities for the business that we have identified, and to return the Group to volume growth during 2020. This programme will strengthen our core platform, enhance the experience for all our customers and close the competitive and technological deficits which we had previously identified. As we also indicated, we continue to appraise complementary acquisitions and partnerships that could accelerate our growth or provide us with a unique capability to improve our offering to our customers or hostel partners.

- **Strategic investment**

We are delighted to announce today a strategic investment made in July 2019 in an innovative hostel focussed technology company Tipi Pty Ltd ("Tipi"), based in Sydney Australia, which provides technology solutions to the hostel market, enabling guests to check-in and download their digital key prior to arrival. For hostel owners, this streamlines check-in, lowers staff overheads and creates a mobile community to engage more effectively with their guests. During their stay, guests can meet other people staying at the same time, see what's on at the hostel and browse local experiences, increasing ancillary revenue and improving guest satisfaction scores.

Hostelworld will pay US$3m for a minority shareholding in Tipi. This investment will enable Tipi to embark on its ambitious growth plans over the next three years and to provide smart technology solutions to hostels which will complement our product offering. This solution provides a significantly enhanced customer experience while positioning Hostelworld to play a more active and central role in the hostel ecosystem. Existing Tipi management will continue to develop and grow the business. The investment required for this year will be funded out of Hostelworld's existing cash resources. The Tipi website can be found at www.tipi.travel.

- **Enhancing the core search experience and creating unique hostel content**

As we invest in our core product roadmap, we are significantly enhancing the core search experience for our customers. Development is largely complete on delivering a foundational platform which optimises search results across property rankings and our Elevate and Featured Listings products, with early test results indicating positive conversion uplift potential. Our focus will remain on further optimising this during the second half of the year and into 2020. We have also invested in delivering unique hostel content across a subset of our hostel supply base, where initial tests results have also been positive, and we will continue to rollout this unique hostel content and other content types during the second half of this year.

- **Improving the booking experience**

We have been focusing on improving the customer booking experience through a range of initiatives including the ability to add and remove nights to existing bookings online. We also expect the rollout of our improved payments platform at the end of the year, with our first customers and hostels using this platform in Q1 2020. Over time this platform will feature a range of additional payment types and bank transfer methods with additional booking currencies available shortly afterwards. This has taken longer than previously anticipated due to the complexity of the engineering work involved and our decision to recruit a specialist payments expert who joined the Group in May to provide the experience and leadership to deliver this important programme.

To enhance our customers' experience, we are in the process of migrating our website to a progressive Web App platform. This will improve site speed and enable a more modern app-like experience, whilst further reducing our technical debt. We anticipate that this migration will be largely complete by the end of the current year.

- **Developing our supplier facing platform**

We have rolled out a number of enhancements to our supplier facing platforms in H1 2019, with additional improvements due during the second half of the year across both our extranet and Backpacker Online ("PMS") platforms. We are also actively pursuing additional opportunities to strengthen our PMS position in the industry across organic, partnership and inorganic means. We are also actively increasing the breadth of rate plan configurations we offer hostels and improving the connectivity to hostels that connect to our platform via 3rd party platforms. We have launched a number of new rate plan features during H1 2019 with more due later this year, which will further strengthen our inventory competitiveness.

- **Continued investment in our senior management team**

In order to ensure continued delivery against our 'Roadmap for Growth', we have continued to invest in our management team with a number of significant hires during the period. In April 2019, Fabrizio Giulio joined Hostelworld as Chief Supply Officer, having previously worked with Expedia Group. Yale Varty has joined the Group as Chief Marketing Officer in August 2019, having most recently led the marketing organisation at ASOS. Jody Jordan will join us as Chief Human Resources Officer from Kerry Group, having previously worked at Paddy Power and Vodafone. We are also actively recruiting for a Chief Product Officer.

With the new management team now in place, the focus during the second half of the year will be on the continued delivery of the Group's strategic plan and driving the operational benefits from the investments and enhancements that we have recently made to return the business to volume growth during 2020.

Business Model

In operating a global hostel-focussed online booking platform, we offer a simple and comprehensive online mechanism that gives providers of hostels and other budget accommodation a shop window to show their accommodation to young and independent travellers. We provide the technology solution to facilitate bookings between the hostel and traveller, offering a high-quality booking experience that provides us with commission based revenue. At the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. The deposit equates to our revenue from the transaction. This efficient business model has favourable working capital attributes and strong cash conversion.

In early 2018 we rolled out a global free cancellation model to further broaden our product offering. This booking option was initially rolled out on a phased basis during the first six months of the year before the full global rollout commenced in July. This has impacted on comparative figures for H1 2019. As with the other deposit models, at the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. If the hostel traveller cancels their free cancellation booking, within a specified period, we will refund their deposit. The introduction of the free cancellation booking option has resulted in a portion of gross bookings being cancelled and the deposits refunded to customers. The free cancellation product is working well with underlying cancellation rates remaining within our expected range.

Summary

I believe that the operational and strategic improvements that we have made during the first half of this year, combined with a stronger leadership team, will set the business on a solid path to return to volume growth during 2020. I outlined my strategy in the 'Roadmap for Growth' in November 2018 and I am pleased to report that we are making good progress on implementing the key elements of that strategy. Inevitably when implementing a big programme of change management, some elements take longer to execute than originally anticipated and whilst we are ahead of schedule in some parts of the strategy, some of our planned improvements have taken longer to implement. Accelerating these changes through additional investment and management focus will be our key priority during the second half.

I am particularly encouraged that we have also identified a number of additional opportunities for product enhancements and diversification beyond those originally anticipated last November. The early indications from the improvements already made are positive and I am confident that once we have implemented the changes and enhancements targeted in the 'Roadmap to Growth', the business will be significantly competitively strengthened and well-positioned to capitalise on the growth opportunities we have identified.

After one year at Hostelworld, I continue to see significant opportunities for future growth beyond an OTA for hostel accommodation. As we progress our strategy and assess the opportunity to monetise the "other 16 hours of the day," there are clear areas of potential opportunity such as in ancillary products on our own booking platform and in partnership with hostels and other businesses to market their products to a wider group of our customers when they have arrived at their destinations.

Outlook

The market remains highly competitive and as noted in our AGM statement, this continued into the peak summer period. Coupled with higher than anticipated inflation in performance marketing channels and the financial effect of increased investment in our 'Roadmap for Growth' during the second half of the year, means that EBITDA for the full year is likely to be below 2018.

Hostelworld continues to operate in an attractive and growing market and remains confident about the opportunity to capitalise on the significant growth opportunities we have identified. We believe the operational and strategic improvements we have put in place in the first half, should enable us to return the business to volume growth during 2020 and we continue to assess opportunities, both organic and inorganic, which could enable us to accelerate that growth.

Gary Morrison

Chief Executive

20 August 2019

Financial Review

Key Performance Indicators

	H1 2019	H1 2018	% Change	% Change Constant Currency	FY 2018
Gross Bookings					
Bookings – Hostelworld brand (m)	3.66	3.80	(4%)		7.27
Bookings – supporting brands and channels (m)	0.09	0.16	(44%)		0.28
Total Booking Volume (m)	3.75	3.96	(5%)		7.55
Net Bookings					
Net Bookings – Hostelworld brand (m)	3.41	3.71	(8%)		6.96
Total Net Group Bookings Volume (m)	3.50	3.87	(10%)		7.24
Average Booking Value ("ABV") (gross) (€)	12.84	12.15	6%	2%	11.89
Revenue (€m)	38.8	42.6	(9%)	(12%)	82.1
Deferred Free Cancellation Revenue (€m)	4.4	4.2	5%	2%	2.9
Adjusted EBITDA (€m) (1)	**8.9**	**10.4**	**(15%)**	**(17%)**	**22.5**

(1) *H1 2018 and Financial Year 2018 Adjusted EBITDA have been adjusted for the impact of the Group adopting IFRS 16 Leases. Refer to Note 2 to the Condensed Consolidated Financial Statements for further details.*

The Group believes that both gross booking volume ("Gross Bookings", "Bookings") and booking volume net of cancellations ("Net Bookings") are key performance indicators and are critical in assessing the operational performance of the business.

The Hostelworld brand continues to operate in a highly competitive market, which has also been combined with some recent weaker consumer demand. The business also continues to invest in its core platform in order to improve its flexibility and improve the experience of our customers bringing it up to competitive parity. As a result, the Group's gross booking volumes declined by 5% in the six months ended 30 June 2019 (2018: 2% growth) driven by a decline in performance in our core Hostelworld brand in the period which fell by 4% compared to the same period last year (2018: 6% growth).

There was strong growth from net bookings generated in the Hostelworld app which grew by 7% during the period to 43% of net bookings (2018: 36% of net bookings). Net bookings generated from the app and mobile web channels represented 61% of Group net bookings (2018: 55%). The Group's booking volumes and revenue recognition are seasonal and peak between May and August during the summer travel period in the northern hemisphere.

The Group's core brand, Hostelworld, now represents 98% of Group bookings compared to 96% in the six months ended 30 June 2018. The Group has continued to deliberately focus its marketing initiatives and technology investments on this core brand, whilst continuing the managed decline in bookings of the Group's supporting brands which was 44% in the six months ended 30 June 2019 (2018: 47% decline).

In 2018 in response to customer demand, the Group rolled out a free cancellation booking option, to further broaden our product offering. This led to a deferral of revenue recognition, which has had an impact on reported earnings during H1 2019 of €4.4m (2018: €4.2m), however this has not had an impact on cash receipts. At 30 June 2019, €7.3m represents the total deferred revenue balance (30 June 2018: €4.2m) from free cancellation bookings that has been collected from customers and will be recognised in future periods, net of any future cancellations, when the last cancellation date has passed. Any cancellations that were processed by customers up to and including 30 June 2019 have been refunded and are not included in this deferred revenue balance.

The introduction of the free cancellation booking option has resulted in a portion of gross bookings being cancelled and refunded to customers. Total Group bookings, net of any cancellations processed by 30 June 2019, have declined by 10% in H1 2019 (2018: 1% decline), with Hostelworld brand net bookings declining by 8% (2018: 3% growth). Underlying cancellation rates continue to perform in line with our expectations.

Group revenue decreased by 9% for the six month period ended 30 June 2019 to €38.8m (2018: €42.6m), which corresponds to a 12% decrease on a constant currency basis. This is partially as a result of the impact of the free cancellation booking option with cancelled bookings increasing to 0.25m bookings (2018: 0.09m bookings). The increase in cancellation numbers is driven by timing of the full global rollout which was in July 2018. All of the marketing costs in relation to these bookings have been recognised in the six month period ended 30 June 2019.

Average Booking Value ("ABV") is the average value paid by a customer for a gross booking. ABV increased by 6% during the period (2018: flat), and on a constant currency basis grew by 2% for the six months. The average commission rate in the six months ended 30 June 2019 increased to 16.0% (2018: 15.3%), primarily driven by the effects of base commission increases in February 2018 and January 2019. These commission increases and the positive impact of exchange rates were partially offset by the continued decline in the number of bed nights per booking with the continued shift to mobile bookings and a slight reduction in the underlying base price per bed.

The Group continues to actively manage its marketing mix with marketing investment as a percentage of revenue of 42% in the six months ended 30 June 2019 as compared to 43% in the same period in 2018. Excluding the impact of deferred free cancellation revenue in the period, marketing investment would be 37% of revenue (2018: 39%). This has reduced due to a planned reduction in category advertising, offset by higher than anticipated cost inflation in performance marketing channels, and increased cancellations in H1 2019 relative to H1 2018 due to the phased launch of the free cancellation product in H1 2018.

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.

The Group has adopted IFRS 16 Leases from 1 January 2019, as disclosed in note 2 to the condensed consolidated financial statements. The Group has applied the modified retrospective approach, and as a result it has not restated prior periods on adoption in its financial statements. For comparative purposes Adjusted EBITDA for prior periods has been restated to reflect the impact of adopting IFRS 16, in order to give a true and fair comparative of underlying performance.

Restated Comparatives (€m)	**H1 2018**	**Financial Year 2018**
Adjusted EBITDA- as previously reported	9.8	21.4
Impact of IFRS 16 Leases if applied retrospectively[(2)]	0.6	1.1
Adjusted EBITDA - including the impact of IFRS 16 Leases	**10.4**	**22.5**

(2) *Refer to Note 2 to the Condensed Consolidated Financial Statements for further details.*

Adjusted EBITDA of €8.9m (2018: €10.4m) has decreased by €1.5m (14%) in the six months to 30 June 2018 and by 17% on a constant currency basis. Adjusted EBITDA as a percentage of revenue declined to 23% (2018: 24%). Adjusted EBITDA has been impacted by the reduction in bookings during the period and by the rollout of the free cancellation product, which has resulted in increased cancellations numbers in H1 2019.

Administration expenses decreased by €1.8m (6%) to €31.4m in the six months ended 30 June 2019. A contributory factor in this was the refocussing of the marketing strategy away from high profile brand advertising campaigns towards marketing activities that focussed on core customer acquisition.

Gross staff costs (excluding share based payment expense and before the impact of capitalised development labour) decreased from €9.5m to €8.9m. Average headcount increased by 7% from 281 in the six months ended 30 June 2018 to 300 in the six months ended 30 June 2019, as the Group continues to invest in a technology development centre in Portugal which will further increase the development capacity of the Group.

Excluding the impact of the level of development labour capitalised in accordance with IFRS standards (2019: €0.5m; 2018: €0.8m), share based payment expense and the impact of a bonus accrual, staff costs increased by 2% on a constant currency basis, reflecting the increasing headcount in the Group at a lower base cost per employee.

Reconciliation between Operating Profit and Adjusted EBITDA:

€m	H1 2019	Adjusted H1 2018 (3)	Adjusted Financial Year 2018 (3)	Reported H1 2018	Reported Financial Year 2018
Operating profit	0.5	3.0	6.8	2.9	6.7
Depreciation	1.1	1.1	2.2	0.6	1.2
Amortisation of development costs	0.8	0.9	1.9	0.9	1.9
Amortisation of acquired intangible assets	5.1	5.0	10.3	5.0	10.3
Exceptional items	1.3	0.0	1.6	0.0	1.6
Share based payment expense / (credit)	0.1	0.4	(0.3)	0.4	(0.3)
Adjusted EBITDA	**8.9**	**10.4**	**22.5**	**9.8**	**21.4**

(3) *H1 2018 and Financial Year 2018 Operating Profit and Adjusted EBITDA have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 2 to the Condensed Consolidated Financial Statements for further details.*

The exceptional costs for the six months ended 30 June 2019 of €1.3m (2018: €nil) were primarily restructuring and merger and acquisition related costs.

The share based payment expense for the period 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.

Adjusted Profit after Taxation

€m	H1 2019	Adjusted H1 2018 (4)	Adjusted Financial Year 2018 (4)	Reported H1 2018	Reported Financial Year 2018
Adjusted EBITDA	**8.9**	**10.4**	**22.5**	**9.8**	**21.4**
Depreciation	(1.1)	(1.1)	(2.2)	(0.6)	(1.2)
Amortisation of development costs	(0.8)	(0.9)	(1.9)	(0.9)	(1.9)
Finance charge – Leased Assets	(0.1)	(0.1)	(0.2)	0.0	0.0
Corporation tax	(0.8)	(0.7)	(0.8)	(0.7)	(0.8)
Adjusted Profit after Taxation	**6.2**	**7.6**	**17.4**	**7.6**	**17.5**
Exceptional items	(1.3)	0.0	(1.5)	0.0	(1.5)
Amortisation of acquired intangibles	(5.1)	(5.0)	(10.3)	(5.0)	(10.3)
Share based payment expense / (credit)	(0.1)	(0.4)	0.3	(0.4)	0.3
Deferred taxation	6.9	(0.1)	(0.2)	(0.1)	(0.2)
Profit for the period	**6.5**	**2.0**	**5.7**	**2.0**	**5.7**

(4) *H1 2018 and Financial Year 2018 Adjusted EBITDA and Adjusted Profit after Taxation have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 2 to the Condensed Consolidated Financial Statements for further details.*

Adjusted Profit after Taxation ("Adjusted PAT") is an alternative performance measure that the Group uses to calculate the dividend payout for the year, subject to Company Law requirements regarding distributable profits. 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.

Adjusted PAT decreased from €7.6m to €6.1m in the six months to 30 June 2019 reflecting the marginal impact of the reduction in Net Bookings during the period.

Based on the weighted average number of shares in issue during the six months ended 30 June 2019, reported Earnings per Share ("EPS") is 6.82 euro cents per share (30 June 2018: 2.14 euro cent). Using Adjusted PAT as the measure of earnings would result in an adjusted EPS of 6.44 euro cent per share for the year. The corresponding adjusted EPS for 30 June 2018 calculated on the same basis, using the weighted average number of shares in issue as at 30 June 2018 and adjusting for the impact of IFRS 16 is 7.93 euro cent per share. 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.

Taxation

The Group's corporation tax charge of €0.8m (2018: €0.7m) results in an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 8.5% (2018: 7%) and 192% of reported profit before taxation, which is after amortisation of acquired intangible assets of €5.1m and exceptional costs of €1.3m (2018: 24% of reported profit before taxation of €2.8m, which is adjusted for the impact of IFRS 16).

The Groups' deferred tax credit for the six months ended 30 June 2019 of €6.9m (2018: €0.1m charge) primarily relates to a group reorganisation that is referred to in note 5 and note 14 to the condensed consolidated financial statements.

Adjusted Free Cash flow conversion

€m	**H1 2019**	**Adjusted H1 2018** (5)	**Adjusted Financial Year 2018** (5)	**Reported H1 2018**	**Reported Financial Year 2018**
Adjusted EBITDA	**8.9**	**10.4**	**22.5**	**9.8**	**21.4**
Capitalised development spend	(0.5)	(0.9)	(1.8)	(0.9)	(1.8)
Capital expenditure	(0.1)	(0.2)	(0.7)	(0.2)	(0.7)
Interest and tax paid	(0.5)	(0.3)	(0.8)	(0.3)	(0.8)
Net movement in working capital (6)	1.8	4.7	2.6	4.7	2.6
Adjusted Free Cash flow	**9.6**	**13.6**	**21.8**	**13.1**	**20.7**
Adjusted Free Cash flow conversion	*108%*	131%	97%	*133%*	*97%*

(5) *H1 18 and Financial Year 2018 Adjusted EBITDA and Adjusted Free Cash Flow have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 2 to the Condensed Consolidated Financial Statements for further details.*

(6) *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. The movement in working capital in the first six months of 2019 was at a lower level than in the same period in 2018 and includes the impact of a debtor related to a group reorganisation in H1 2019. Adjusted free cash flow conversion of 108% in 2019 (2018: 131%) includes the impact of €4.4m (2018: €4.2m) of revenue related to free cancellation bookings that was received but deferred. Excluding the impact of the deferral of the revenue related to free cancellation bookings and the impact of the timing of a debtor related to a group reorganisation, adjusted free cash flow conversion would have been a normalised 81% (2018: 93%).

Total Cash at 30 June 2019 was €25.4m (30 June 2018: €22.9m), of which €nil is restricted (30 June 2018: €nil). There were no borrowings at 30 June 2019 (30 June 2018: €nil).

Foreign exchange risk

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. Overall on a constant currency basis, exchange rate movements had a positive impact on revenue and Adjusted EBITDA. However there was a partial offsetting negative effect on marketing expenses, as the majority of marketing investment is denominated in US dollars, and there was a foreign exchange loss of €0.1m included in administration expenses (2018: €0.01 gain) as referred to in note 4 to the condensed consolidated financial statements.

During the period the average US dollar to euro exchange rate strengthened by 7% and the average sterling to euro exchange rate strengthened by 1% in comparison to the prior period. Restated on a constant currency basis, ABV has increased by 2%, revenues have decreased by 12% and Adjusted EBITDA has decreased by 17% for the six months ended 30 June 2019. Constant currency is calculated by applying the average exchange rates for the six months period ended 30 June 2019 to the financial results for the six months period ended 30 June 2018 on a month by month basis. The Group's principal policy is to match cash flows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

Related party transactions

Related party transactions are disclosed in note 14 to the condensed consolidated financial statements. A group reorganisation completed on 12 March 2019 resulting in a deferred tax asset of €6.9m. There have been no other changes in the related party transactions described in the last annual report which would have had a material effect on the financial position or performance of the Group.

Risks and uncertainties

The principal risks and uncertainties facing the Group remain those disclosed in the annual report for the year ended 31 December 2018. While the nature of the principal risks and uncertainties faced by the Group remain unchanged on the whole, external geopolitical factors and an increasingly competitive marketplace have changed the Group's risk profile in certain areas. Amongst the most significant of these factors are increased competition, and the proposed exit of the United Kingdom from membership of the European Union (known as "Brexit").

The Brexit uncertainties in relation to the movement of people may result in the reduction of bookings particularly into and from the UK travel market. In addition, a decline in macroeconomic conditions in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider travel sector. Both of these scenarios may impact on Group revenue and performance. However, the Group is a global business and continues to grow its international footprint and presence across its key markets. In the six months ended 30 June 2019, the UK as a destination represented 6% of total group bookings (2018: 6%) and 14% of group bookings were from UK nationals (2018: 14%). Through continued international expansion and diversification, the Group will seek to naturally mitigate the impacts of Brexit. However the directors will continue to assess the potential impact on the Group of a number of Brexit scenarios and to implement any necessary remediation steps to mitigate its impact on the Group.

The business operates in an increasingly competitive marketplace and our relative scale and size could impact our ability to keep pace with changes in customer behaviour and technology change. We have seen increased competition from other online travel agents ("OTAs") during the period, which has contributed to cost inflation in performance marketing channels. In response to this the Group continues to invest in its core platform and is now focussed on productively deploying resources to drive customer acquisition. A key component of this strategy is leveraging our data assets to ensure we understand our customers and their travel needs.

A detailed explanation of the risks and how the Group seeks to mitigate the risks, can be found on pages 30 to 34 of the 2018 Annual Report which is available at www.hostelworldgroup.com.

Going concern

As stated in note 2 to the condensed consolidated financial statements, the directors are satisfied that regardless of the uncertainty surrounding Brexit scenarios 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. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Board update

Andy McCue stepped down from his position as a Non-Executive Director and Chairman of the Remuneration Committee, effective 31 May 2019. Carl G. Shepherd, who joined the Board as a Non-Executive Director on 1 October 2017, has replaced Andy McCue as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

Following a thorough search process, Evan Cohen was appointed as an Independent Non-Executive Director from 14 August 2019. Evan has also been appointed to the Audit, Remuneration and Nomination committees. Evan is a management and strategy consultant with over 20 years' experience in the technology sector. He brings a wealth of experience having held senior positions in several well-known global technology and media companies, including Lyft and Foursquare.

Dividend

The directors are pleased to declare an interim dividend of €4.0m or 4.2 euro cent per share (2018: 4.8 euro cent per share) which is in line with the Group's current dividend policy (a payout of between 70% and 80% of full year Adjusted Profit after Tax). This interim dividend has not been included as a liability in these condensed consolidated financial statements. The interim dividend is payable on 20 September 2019 to all shareholders on the Register of Members on 30 August 2019.

In June 2019, the Group paid a final dividend of €8.6m or 9.0 euro cent per share in respect of the financial year ending 31 December 2018. After payment of the interim dividend for 2019, the Group will have returned €60.7m to shareholders in dividends since IPO in November 2015.

As part of our capital allocation strategy we continue to assess opportunities, both organic and inorganic, which would enable us to accelerate growth. We also continue to review all options on how we return capital to shareholders.

Gary Morrison	TJ Kelly
Chief Executive Officer	Chief Financial Officer
20 August 2019	20 August 2019

HOSTELWORLD GROUP PLC

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) The condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) 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

(c) 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
20 August 2019	20 August 2019

HOSTELWORLD GROUP PLC

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Revenue	3	**38,823**	42,621	82,087
Administrative expenses	4	**(31,360)**	(33,243)	(61,939)
Depreciation and amortisation	4	**(7,015)**	(6,518)	(13,453)
Operating profit		**448**	2,860	6,695
Financial income		**20**	4	20
Financial costs		**(74)**	(31)	(63)
Profit before taxation		**394**	2,833	6,652
Taxation	5	**6,126**	(789)	(961)
Profit for the period attributed to the equity owners of the parent company		**6,520**	2,044	5,691
Basic earnings per share (euro cent)	6	**6.82**	2.14	5.95
Diluted earnings per share (euro cent)	6	**6.82**	2.13	5.95

HOSTELWORLD GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Profit for the period	**6,520**	2,044	5,691
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(1)**	(2)	(2)
Total comprehensive income for the period attributable to equity owners of the parent company	**6,519**	2,042	5,689

HOSTELWORLD GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 €'000 (Unaudited)	30 June 2018 €'000 (Unaudited)	31 December 2018 €'000 (Audited)
Non-current assets				
Intangible assets	7	**112,323**	123,117	117,726
Property, plant and equipment	8	**6,585**	3,356	3,256
Deferred tax assets	5	**7,024**	278	99
		125,932	126,751	121,081
Current assets				
Trade and other receivables	9	**5,307**	4,365	2,814
Cash and cash equivalents		**25,396**	22,895	25,974
		30,703	27,260	28,788
Total assets		**156,635**	154,011	149,869
Issued capital and reserves attributable to equity owners of the parent				
Share capital	10	**956**	956	956
Foreign currency translation reserve		**15**	16	16
Share based payment reserve		**757**	1,386	630
Retained earnings		**132,091**	135,591	134,650
Total equity attributable to equity holders of the parent company		**133,819**	137,949	136,252
Non-current liabilities				
Lease liabilities		**3,776**	-	-
Deferred tax liabilities		**227**	359	262
		4,003	359	262
Current liabilities				
Trade and other payables	11	**17,048**	14,909	12,946
Lease liabilities		**1,055**	-	-
Corporation tax		**710**	794	409
		18,813	15,703	13,355
Total liabilities		**22,816**	16,062	13,617
Total equity and liabilities		**156,635**	154,011	149,869

HOSTELWORLD GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Share capital €'000**	**Retained earnings €'000**	**Foreign currency translation reserve €'000**	**Share based payment reserve €'000**	**Total €'000**
Balance at 1 January 2018		956	145,015	18	960	146,949
Total comprehensive income for the period		-	2,044	(2)	-	2,042
Dividends		-	(11,468)	-	-	(11,468)
Credit to equity for equity settled share based payments		-	-	-	426	426
Balance at 30 June 2018 (unaudited)		956	135,591	16	1,386	137,949
Total comprehensive income for the period		-	3,647	-	-	3,647
Dividends		-	(4,588)	-	-	(4,588)
Debit to equity for equity settled share based payments		-	-	-	(756)	(756)
Balance at 31 December 2018 (audited)		**956**	**134,650**	**16**	**630**	**136,252**
Effect of initial application of IFRS 16	2	**-**	**(478)**	**-**	-	**(478)**
Balance at 1 January 2019 – as restated		**956**	**134,172**	**16**	**630**	**135,774**
Total comprehensive income for the period		**-**	**6,520**	**(1)**	**-**	**6,519**
Dividends	12	**-**	**(8,601)**	**-**	**-**	**(8,601)**
Credit to equity for equity settled share based payments		**-**	**-**	**-**	**127**	**127**
As at 30 June 2019 (unaudited)		**956**	**132,091**	**15**	**757**	**133,819**

HOSTELWORLD GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Cash flows from operating activities			
Profit before tax	**394**	2,833	6,652
Depreciation of property, plant and equipment	**1,111**	598	1,232
Amortisation of intangible assets	**5,904**	5,920	12,221
Financial income	**(20)**	(4)	(20)
Financial expense	**74**	31	63
Employee equity settled share based payment expense/ (credit)	**127**	440	(346)
Changes in working capital items:			
Increase in trade and other payables	**4,610**	5,063	3,129
(Increase)/ decrease in trade and other receivables	**(2,493)**	(399)	1,152
Cash generated from operations	**9,707**	14,482	24,083
Interest paid	**(74)**	(31)	(63)
Interest received	**20**	4	20
Income tax paid	**(453)**	(275)	(749)
Net cash from operating activities	**9,200**	14,180	23,291
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets	**(501)**	(929)	(1,839)
Purchases of property, plant and equipment	**(121)**	(180)	(714)
Net cash used in investing activities	**(622)**	(1,109)	(2,553)
Cash flows from financing activities			
Repayments of obligations under lease liabilities	**(555)**	-	-
Dividends paid	**(8,601)**	(11,468)	(16,056)
Net cash used in financing activities	**(9,156)**	(11,468)	(16,056)
Net (decrease)/ increase in cash and cash equivalents	**(578)**	1,603	4,682
Cash and cash equivalents at the beginning of the period	**25,974**	21,294	21,294
Effect of foreign exchange rate changes	**-**	(2)	(2)
Cash and cash equivalents at the end of the period	**25,396**	22,895	25,974

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 consolidated financial statements of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as “the Group”). The condensed consolidated financial statements for the period ended 30 June 2019 are unaudited.

The information for the year ended 31 December 2018 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 consolidated financial statements were authorised for issue by the Board of Directors of Hostelworld Group plc on 20 August 2019.

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 consolidated 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

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. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Changes in accounting policies

Aside from the adoption of IFRS 16, which is described on the pages that follow, 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 consolidated financial statements. The same accounting policies and methods of computation are followed compared with the most recent annual consolidated financial statements.

There are no new IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2019 that have had a material impact on the Group.

IFRS 16

In the current period, the Group has applied IFRS 16 Leases which replaced IAS 17 Leases and related interpretations. IFRS 16 provides guidance on the classification, recognition and measurement of leases. The standard has primarily affected the accounting for the Group’s operating leases relating to office premises. The Group has applied IFRS 16 from its effective date, 1 January 2019.

2. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 (continued)

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right of use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses are removed from the consolidated income statement and are replaced with finance costs on the lease liability and depreciation on the right of use asset. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Group's accounting policy under IFRS 16 is as follows:
For contracts where the Group is a lessee, a right of use asset is recognised, representing the Group's right to use the underlying asset and a lease liability is also recognised for the Group's obligation to make lease payments during the lease term. The lease term of the different contracts is determined as the non-cancellable period of each of the leases considering the option to extend and to terminate where it is reasonably certain to exercise that option.

The right of use asset is initially measured at cost and subsequently valued at cost less accumulated depreciation and impairment losses. It is adjusted where a lease modification results in a remeasurement of the lease liability. The right of use asset is amortised on a straight line basis over the shorter of the lease term or the estimated useful life of the underlying asset.

The carrying value of these assets are reviewed at the end of each reporting period to determine whether there is any indication that the assets have suffered an impairment loss. The accounting policy for impairment of right of use assets is detailed in the accounting policy for "Impairment of tangible and intangible assets other than goodwill" in the last Annual Report.

Lease liabilities are measured at the present value of the future lease payments. The lease payments are discounted using the average of the Group's incremental borrowing rate and rental yields in similar economic environments. Subsequently the lease liability is increased to reflect interest on the lease liability and reduced for payments made. The lease liability is remeasured for lease modifications or reassessments.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Deferred tax is recognised on the temporary differences arising between the carrying amount of the right of use asset and the lease liability.

The Group adopted the new standard by applying the modified retrospective approach and availed of the recognition exemption for short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has not restated the prior period on adoption, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On transition, the lease liability was based on the present value of remaining lease payments and the right of use asset was an amount equal to the lease liability adjusted for prepaid/accrued payments. The lease payments have been discounted using the average of the Group's incremental borrowing rate and rental yields in similar economic environments. Given the main operating lease commitments of the Group relate to leases of office space in Ireland, UK and Portugal, the Eurozone rental yield was used in calculating the discount rate. This resulted in a discount rate of 3.3% applied to the lease liabilities on 1 January 2019.

2. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 (continued)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following reconciliation shows the difference between the operating lease commitments as disclosed in the 2018 Annual Report (under IAS 17) and the lease liability recognised in the consolidated statement of financial position on 1 January 2019, date of initial application of IFRS 16:

	€000
Operating lease commitments disclosed as at 31 December 2018	**4,502**
Adjustments as a result of a different treatment of extensions/ termination options	**1,470**
Discounted using average of Group's incremental borrowing rate and Eurozone rental yields	**(611)**
Lease liability recognised as at 1 January 2019	**5,361**

The adoption of the new standard had the following impact on the Group's consolidated income statement and consolidated statement of financial position from 1 January 2019 to 30 June 2019:

Consolidated Income Statement - Administrative expenses decreased by €566k as the Group previously recognised rental expenses therein. Depreciation and finance costs increased by €510k and €89k respectively, as a result of the requirement to capitalise a right of use asset and depreciate over the term of the lease, and the resulting finance cost which is applied annually to the lease liability. As a result, operating profit, Adjusted EBITDA and Adjusted PAT (existing alternative performance measures as defined in the Interim Management Report) are impacted by the implementation of IFRS 16.

Total lease expenses will increase in the early years of implementation of IFRS 16 due to the front-loading effect of finance charges versus the straight-line rent expense under IAS 17 Leases.

Consolidated Statement of Financial Position - At 1 January 2019, the Group calculated the lease commitments outstanding and applied the appropriate discount rate to calculate the present value of the lease commitment which are recognised as a liability and a right of use asset on the Group's statement of financial position.

The change in accounting policy had the following impact on the statement of financial position as at 1 January 2019 and 30 June 2019:

	30 June 2019 €000	01 January 2019 €000
Right of use assets	**3,809**	4,294
Lease liabilities	**4,831**	5,361

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2. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 (continued)

The net impact on opening retained earnings of the Group on adoption of IFRS 16 was a decrease of €478k as detailed below:

	€000
Retained earnings as at 31 December 2018	**134,650**
Initial application of IFRS 16	**(1,067)**
Release of lease incentive accrual	**508**
Recognition of deferred tax asset on initial application of IFRS 16	**81**
Opening retained earnings as at 01 January 2019	**134,172**

Accounting estimates and judgements

In preparing these condensed consolidated financial statements, the directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Aside from the adoption of IFRS 16, the significant judgements made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

Lease term of contracts with extension or break options

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (break option), if it is reasonably certain not to be exercised. The Group has a number of leases which contain break options and applies judgement in evaluating whether it is reasonably certain not to exercise the option. On commencement of a lease the directors consider all relevant factors that create an incentive for it to exercise the option. After the commencement date, the directors reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Discount rate for lease liability calculation

The directors assess the discount rate to be used at the lease commencement to calculate the present value of lease payments. The average of the Group's incremental borrowing rate and the Eurozone rental yield is used in calculating the discount rate. The operating lease commitments of the Group relate to leases of office space in Ireland, UK and Portugal. This resulted in a discount rate of 3.3% applied to the lease liabilities recognised at the date of initial recognition.

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 profit/ (loss) 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.

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 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Europe	**22,423**	25,778	49,060
Americas	**7,383**	7,757	15,149
Asia, Africa and Oceania	**9,017**	9,086	17,878
Total revenue	**38,823**	42,621	82,087

For the six month period ended 30 June 2019, €4,447k of revenue relating to free cancellation bookings that were made has been deferred (2018: €4,236k).

Disaggregation of revenue is presented as follows:

	Six months ended 30 June 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Technology and data processing fees	**37,822**	41,423	79,696
Ancillary services and advertising revenue	**1,001**	1,198	2,391
Total revenue	**38,823**	42,621	82,087

3. REVENUE & SEGMENTAL ANALYSIS (Continued)

In the six months ended 30 June 2019, the Group generated 97% (2018: 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.

The Group's booking volumes and revenue recognition are seasonal and peak between May and August during the summer travel period in the northern hemisphere.

Advertising revenue and revenue generated from other services are recognised over the time period when the service is performed.

4. OPERATING EXPENSES

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

	Six months ended 30 June 2019 €'000 (Unaudited)	Six months ended 30 June 2018 €'000 (Unaudited)	Year ended 31 December 2018 €'000 (Audited)
Marketing expenses	**16,225**	18,360	31,203
Staff costs	**8,521**	9,119	17,179
Credit card processing fees	**1,318**	1,236	2,379
Exceptional items	**1,285**	-	1,590
FX loss/ (gain)	**112**	(15)	64
Other administrative costs	**3,899**	4,543	9,524
Total administrative expenses	**31,360**	33,243	61,939
Depreciation of property, plant and equipment	**1,111**	598	1,232
Amortisation of intangible fixed assets	**5,904**	5,920	12,221
Total operating expenses	**38,375**	39,761	75,392

Administration expenses decreased by €1,883k to €31,360k in the six months ended 30 June 2019. A contributory factor in this was the refocussing of the marketing strategy away from high profile brand advertising campaigns towards marketing activities that focussed on core customer acquisition.

The exceptional costs for the six months ended 30 June 2019 of €1,285k (2018: €nil) were primarily costs relating to the restructure of the senior management team and merger and acquisition related costs.

Depreciation costs increased by €510k due to the adoption of IFRS 16 and the associated depreciation charge for the right of use assets recognised from 1 January 2019.

5. TAXATION

The corporation tax charge for the six month period is €754k (2018: €684k), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

The deferred tax credit for the six month period of €6,880k (2018: €105k charge) primarily 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. The 2018 charge relates to the movement in deferred tax assets offset by the movement in deferred tax liabilities.

6. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net 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 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2018 (Audited)
Weighted average number of shares in issue ('000s)	**95,571**	95,571	95,571
Profit for the period (€'000s)	**6,520**	2,044	5,691
Basic earnings euro cent per share	**6.82**	2.14	5.95

Diluted earnings per share is computed by dividing the net 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.

Number of Shares:	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2018 (Audited)
Weighted average number of ordinary shares in issue ('000s)	**95,571**	95,571	95,571
Effect of dilutive potential ordinary shares: Share options ('000s)	**69**	481	11
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000s)	**95,640**	96,052	95,582
Diluted earnings euro cent per share	**6.82**	2.13	5.95

7. INTANGIBLE ASSETS

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

	Goodwill €'000	Domain Names €'000	Technology €'000	Affiliates Contracts €'000	Capitalised Development Costs €'000	Total €'000
Cost						
Balance at 1 January 2018	47,274	214,640	13,887	5,500	9,867	291,168
Additions	-	-	122	-	807	929
Balance at 30 June 2018	47,274	214,640	14,009	5,500	10,674	292,097
Additions	-	-	59	-	851	910
Balance at 31 December 2018	47,274	214,640	14,068	5,500	11,525	293,007
Additions	**-**	**-**	**-**	**-**	**501**	**501**
Balance at 30 June 2019	**47,274**	**214,640**	**14,068**	**5,500**	**12,026**	**293,508**
Accumulated amortisation and impairment						
Balance at 1 January 2018	(29,426)	(106,453)	(13,702)	(5,500)	(7,979)	(163,060)
Charge for the period	-	(4,939)	(53)	-	(928)	(5,920)
Balance at 30 June 2018	(29,426)	(111,392)	(13,755)	(5,500)	(8,907)	(168,980)
Charge for the period	-	(5,308)	(53)	-	(940)	(6,301)
Balance at 31 December 2018	(29,426)	(116,700)	(13,808)	(5,500)	(9,847)	(175,281)
Charge for the period	**-**	**(5,035)**	**(80)**	**-**	**(789)**	**(5,904)**
Balance at 30 June 2019	**(29,426)**	**(121,735)**	**(13,888)**	**(5,500)**	**(10,636)**	**(181,185)**
Carrying amount						
At 30 June 2018	17,848	103,248	254	-	1,767	123,117
At 31 December 2018	17,848	97,940	260	-	1,678	117,726
At 30 June 2019	**17,848**	**92,905**	**180**	**-**	**1,390**	**112,323**

Additions during the period comprised of internally generated additions of €501k (2018: €807k) and other separately acquired additions of €nil (2018: €122k). At 30 June 2019 and 30 June 2018, 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

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. At 30 June 2019, the value of these assets was €3,809k.

During the six months ended 30 June 2019, the Group invested €121k in additional property, plant and equipment (30 June 2018: €180k).

9. TRADE AND OTHER RECEIVABLES

	30 June 2019 €'000 (Unaudited)	30 June 2018 €'000 (Unaudited)	31 December 2018 €'000 (Audited)
Amounts falling due within one year			
Trade receivables	**1,219**	1,129	1,067
Other receivables	**1,225**	-	-
Prepayments and accrued income	**1,551**	1,473	804
Value Added Tax	**1,312**	1,763	943
	5,307	4,365	2,814

The amount included in other receivables relates to cash proceeds due to the Group on completion of the liquidation of WRI Nominees DAC (referred to in note 14).

10. SHARE CAPITAL

Share capital as at 30 June 2019 amounted to €955,708 (30 June 2018: €955,708). There were no additional shares issued during the six month period ending 30 June 2019.

11. TRADE AND OTHER PAYABLES

	30 June 2019 €'000 (Unaudited)	30 June 2018 €'000 (Unaudited)	31 December 2018 €'000 (Audited)
Amounts falling due within one year			
Trade payables	**3,685**	3,077	2,361
Accruals and other payables	**4,355**	5,484	5,937
Deferred revenue	**8,433**	5,757	4,095
Payroll taxes	**575**	591	553
	17,048	14,909	12,496

At 30 June 2019, €7,339k deferred revenue related to free cancellation bookings is included in deferred revenue (30 June 2018: €4,236k). The accruals and other payables balance at 30 June 2018 included a lease incentive accrual which was released as part of the initial application of IFRS 16 and the balance as at 31 December 2018 was recognised as an adjustment to Retained Earnings.

12. DIVIDENDS

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

	Six months ended 30 June 2019 €'000	Six months ended 30 June 2018 €'000	Year ended 31 December 2018 €'000
Final 2017 dividend of €0.120 per share (paid 14 June 2018)	-	11,468	11,468
Interim 2018 dividend of €0.048 per share (paid 21 September 2018)	-	-	4,588
Final 2018 dividend of €0.09 per share (paid 5 June 2019)	**8,601**	-	-
	8,601	11,468	16,056
Interim dividend for the year ended 31 December 2019 of €0.042 per share (2018: €0.048 per share)	**4,014**	4,588	-

The directors declare an interim dividend of 4.2 euro cent per share amounting to €4.0m (30 June 2018: €4.6m) be paid to shareholders on 20 September 2019. This dividend has not been included as a liability in these condensed consolidated financial statements. The interim dividend is payable to all shareholders on the Register of Members on 30 August 2019.

13. SHARE BASED PAYMENTS

During the six months ended 30 June 2019, there were two invitations made to executive directors and selected management to participate in the Group's long term incentive plan ("LTIP"). On 3 April 2019, 933,995 nil cost options were granted and these options will vest on 2 April 2022 subject to meeting performance conditions. At 30 June 2019, 56,150 of these share options have been forfeited leaving 877,845 still in issue. On 3 June 2019, a further 76,204 nil cost options were granted and will vest on 2 June 2022. All of these options are still in issue as at 30 June 2019.

During the six months ended 30 June 2018, there were two invitations made to executive directors and selected management to participate in the Group's LTIP scheme. On 11 April 2018, 499,554 nil cost options were granted and these options will vest on 10 April 2021 subject to meeting performance conditions. At 30 June 2019, 356,628 of these share options have been forfeited leaving 142,926 still in issue. On 29 June 2018, a further 175,723 nil cost options were granted and will vest on 28 June 2021. All of these options are still in issue as at 30 June 2019.

On 5 December 2018, 98,520 nil cost options were granted and will vest on 4 December 2021. All of these options are still in issue as at 30 June 2019.

On 29 March 2017, 847,663 nil cost share options were granted to employees as part of the LTIP scheme. 454,024 of these share options have been forfeited leaving 393,639 still in issue at 30 June 2019. These share options will vest on 28 March 2020, subject to meeting performance conditions.

On 5 April 2016, 928,464 nil cost share options were granted to employees as part of a long term incentive plan. Due to vesting conditions not being satisfied, there are no remaining outstanding options from this award.

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

	30 June 2019	**30 June 2018**	**31 December 2018**
	No. of share options	**No. of share options**	**No. of share options**
Outstanding at beginning of period	**875,957**	1,324,039	1,324,039
Granted during the period	**1,010,199**	675,277	773,797
Forfeited during the period	**(121,299)**	(224,023)	(1,221,879)
Exercised during the period	**-**	-	-
Expired during the period	**-**	-	-
Outstanding at the end of the period	**1,764,857**	1,775,293	875,957
Exercisable at the end of the period	**-**	-	-

As at 30 June 2019, there have been 272,027 options granted to a number of eligible employees in the Group as part of a Save as You Earn scheme (30 June 2018: 181,208 options). As at 30 June 2019, 146,266 of these options have been cancelled (30 June 2018: 40,431 options).

14. RELATED PARTY TRANSACTIONS

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 of these 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 consolidated financial statements. On the same date, WRI Nominees DAC was liquidated by way of members' voluntary winding up.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

On 11 June 2018, Feargal Mooney resigned as Chief Executive Officer and as a director of the Company and on 17 June 2018, Mari Hurley resigned as Chief Financial Officer and resigned as director of the Company on 10 April 2018. Details of both termination arrangements are disclosed in the 2018 Annual Report and are available on our corporate website at www.hostelworldgroup.com.

On 14 August 2019, Evan Cohen was appointed a director of the Company. On 31 May 2019, Andy McCue resigned as a director of the Company.

15. EVENTS AFTER THE REPORTING DATE

An interim dividend declaration of 4.2 euro cent per share amounting to €4.0m (30 June 2018: €4.6m) is referred to in note 12 above.

On 21 June 2019, Hostelworld.com Limited signed an agreement to purchase 7,645,554 shares in an Australian incorporated proprietary company limited by shares. The purchase consideration for this transaction was USD 3.0m. This transaction was completed on 22 July 2019 and on this date, an investment in associate was recognised in the consolidated financial statements.

There were no other material subsequent events since the reporting date.