

Summary of Contract Key Changes

The key changes are around commissions and rates.

1. In 1. Section (iv) ("Net Rate" means a specific price agreed in writing in advance by the parties for Bookings on which no commission is payable)

has been removed and replaced with the following:

(vii) The "Standard Commission Fee" means (i) where the Booking is in respect of a "hostel" (as determined by the Company in its sole discretion), 12% of the total cost that a Client would be charged for all nights comprising their Booking; and (ii) where the Booking is in respect of any other type of Property, 15% of the total cost that a Client would be charged for all nights comprising their Booking (and "Commission Fee" is more fully defined in clause 4.1).

2. In 4. Section 4.1 is replaced with:

4.1 In consideration of the provision of the services by the Company to the Owner under these terms and conditions, the Owner shall pay to the Company a commission fee (the "Commission Fee"). The Commission Fee will be equal to a percentage of the total cost of the Booking that all Clients making the Booking via the Website would be charged for all the nights comprising their Booking (whether or not that Booking is honoured or subsequently cancelled or the Client fails to turn up). The Owner shall be charged the Standard Commission Fee but the parties reserve the right to vary the Standard Commission Fee at any time, for example, in accordance with the programme(s) operated by the Company through which the Owner can vary the Commission Fee it pays and the deposit that will be collected in return for certain benefits, such as the opportunity to seek to improve their rankings within the display of search results on the Website (the "Varied Commission Fee"), in which case the Owner shall be charged the Varied Commission Fee. The Owner may be informed about updates to the Company's programmes in this regard from time to time via email or Backoffice.

Section 4.2(The Owner shall only confirm Bookings at the rate(s) agreed in any Net Rate Agreement or at the rate(s) specified on the Owner's customer page of the Website)

has been replaced with the following:

4.2 The Commission Fee will be collected by the Company from each Client at the time that the Client makes a Booking on the Website.

4.3: Now Reads – The Owner shall only confirm Bookings with a Client at the rate(s) specified on the Owner's customer page of the Website (as applicable).

3. In 9. Section 9.9 has been completely removed:

(During the period of eighteen months following termination of this Agreement for any reason the Company will not solicit or accept Bookings from any person, firm or corporate body which has made a Booking at the Property during the year prior to the date of termination of this Agreement and which the Company has had contact with at any time in the course of this Agreement.)

4. Notices – The line **highlighted** below has been added to section 23

23. Any notice given pursuant to any provision of this Agreement must be so given in writing and sent by facsimile (followed by notice by post) or pre-paid first class post or delivered by hand to the other party's registered or principal office (**and any changes to these terms may also be given by the Company via email to the email address for the Owner which is at the relevant time held by the Company**). If sent by facsimile **email** or hand delivered, it shall be deemed served at the moment of delivery. If sent by post, it shall be deemed served 48 hours from the time of posting.

What changes are we making?

From 1 March 2014 we are increasing your service fee rates from [10% to 12%] [10% to 15%].

Why are commission fee rates going up?

Our commission fee rates are going up to allow us to invest to further improve our service to our customers and properties, which will deliver more bookings for you on more nights of the year.

We have not increased our commission fee rates since we started the business 10 years ago.

Since then technology has moved forward in leaps and bounds and the market and the operating and competitive environment (with in particular the arrival and aggressive competition from larger players such as Expedia and Booking.com) have changed massively. The cost of advertising and attracting customers to accommodation has also increased dramatically.

We have held back commission fee rates well below our competitors but we now have to increase them as we further improve customer experience and provide the service and support you need to ensure you receive the bookings you need.

Even after this increase our comparable commission fee rates remain the lowest of the major operators, with the larger players typically charging commission of 15% to 20% and higher

How are we improving our offering to you?

We are stepping up our investment in:

- *Marketing and advertising: we are increasing our advertising and marketing spend to make sure we continue to have the most attractive sites for our customers and your properties. This includes a dedicated team of analysts and marketing experts for all key language sites and markets and investing a total online marketing spend of Euro 25m in 2014.*
- *Technology: we are continually spending to improve our technology, including enhanced ease of use for all our websites, expansion of our development team and providing better functionality for you, our property partners.*
- *Mobile: We are investing heavily in mobile in 2014, including the appointment of a Head of Mobile, the opening of a dedicated mobile development office and multiple new apps developed and ready for launch in 2014.*
- *Our brands: our brand strength is key to our ability to attract customers to your properties and we are increasing our investment in our group brand and individual site brands. You will see changes to our branding being introduced over the next 3 months.*
- *Our Support: we provide excellent multi lingual support and service to all our partners and customers from around the world. More recently we further extended our service hours to now provide support to you 20 hours a day, seven days a week*

What are the longer term benefits for hostels and low cost holiday accommodation property owners?

On a more fundamental level it is important that we recognise that the business models of the massively resourced "big beast" OTAs such as Expedia & booking.com are not supportive of the hostels and low cost holiday accommodation sector over the longer term. They are incentivised to push customers up the value chain to sectors where they can earn more revenue. Hostel and low cost holiday accommodation owners stand to lose out as a result.

We believe it is in property owners' interests to work with us as a strong and specialised partner. The big beast OTAs already charge higher service fee rates than us and if they are allowed to dominate the sector it will cost property owners a lot more over the longer term.

Contrary to the big beast OTAs, we focus solely on hostels and low cost accommodation and really understand this sector of the market, offering the widest range of properties and the best user experience to drive room bookings. We are a long-term supporter of the sector, and the better we are able to compete in the long-term, the better we will be able to continue to provide services targeted at providers of hostel and low cost holiday accommodation.