

27 July 2016

On the Beach Group plc
(“On the Beach” or the “Group”)

Trading Update

**On the Beach Group on track to achieve profitability for the financial year
in line with the Board’s expectations**

On the Beach Group plc (LSE: OTB.L), the UK’s leading online retailer for beach holidays, today issues the following trading update in light of current market conditions and external developments.

The Group remains on track to achieve profitability for the year in line with the Board’s expectations despite a number of negative external factors. The flexibility of the business model has enabled the management team to focus successfully on profitable growth.

Since the Group’s Interim Results on 19 May 2016, there have been a number of external events affecting consumer confidence and the travel industry in particular:

- further acts of terrorism in both Turkey and the south of France, affecting bookings and demand throughout the Mediterranean;
- The Lowcosttravelgroup entering administration and associated disruption since that point; and
- macroeconomic uncertainty and weakening of sterling against major currencies following the EU Referendum.

As previously stated, the Board had anticipated a strong “lates” market as summer approached. These factors have and continue to impact the “lates” market and we now expect a weaker outcome in this segment, resulting in significantly fewer consumers travelling this year. Additionally the supply / demand imbalance has led to widespread discounting of seat only and packages by some market participants, in many cases below cost, and this has driven short term share gains for those with distressed capacity.

In the second half of the year, On the Beach has continued to take market share, whilst remaining focused on delivering profitable growth. We are on track to achieve cash margins in line with the Board’s expectations through leveraging our flexible business model and driving efficiencies in both marketing spend and cost base, given that less than 20% of the Group’s costs are fixed.

It is important to note that On the Beach did not sell and has no exposure to any products sourced from the Lowcosttravelgroup. Whilst the failure of Lowcosttravelgroup has been highly disruptive to consumers and to some of the Group’s competitors, On the Beach has seen an immediate improvement in trading dynamics, with a higher share of market traffic, lower costs per click and improved revenue per unique visitor. The Board believes that there will be a medium term benefit to the Group as consumers look to secure their holidays from recognised brands with ATOL protection.

Simon Cooper, Chief Executive of On the Beach Group plc, commented:

“2016 has been an extraordinary period for the travel industry and On the Beach is proving its unique strengths and attributes against the backdrop of these challenges. Whilst revenue growth will be below our original plans as a result of market conditions, we have continued to outperform the market, stealing significant share. Our focus on profitable sales and cash margins will deliver a

PBT outcome in line with the Board's expectations at the beginning of the financial year, which represents very strong double digit growth over last year.

"The Group trades in a sector that has proven extremely resilient over the past 20 years and we remain confident in the resilience of On the Beach and the market. By using our scale to drive exclusivity, our technology to drive innovation and our financial strength and ATOL protection to drive customer trust, we are well placed to capitalise on the structural changes in the market which will only accelerate given the unprecedented current conditions. Given our strengthening competitive position, the Group is well placed to continue to take market share and to focus on further profitable growth, as other operators downsize risk capacity or exit the market."

For further information:

On the Beach Group plc

Simon Cooper, Chief Executive Officer

Wendy Parry, Chief Financial Officer

c/o FTI Consulting

FTI Consulting

Jonathon Brill

Alex Beagley

Tom Hufton

Tel: +44 (0)20 3727 1000

About On the Beach

On the Beach is one of the UK's largest online retailers of beach holidays with a 17% share of the online short haul beach holiday market. The Group has a large opportunity to generate further growth and has a vision to become Europe's leading online retailer of beach holidays. On the Beach provides a significant structural challenge to legacy tour operators and travel agents as the Group continues its journey to disrupt the online retail of beach holidays with its scalable, flexible, innovative technology, combined with a strong customer value proposition and a low cost base. The business model is customer-centric, asset light, profitable and cash generative.

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