

lastminute.com

NEWS RELEASE

For Immediate Release

8 May 2001

LASTMINUTE.COM ANNOUNCES FINANCIAL RESULTS FOR THE QUARTER ENDED 31 MARCH 2001

- ~~££~~ **Order based total transaction value increases by 47.3% quarter on quarter to £31 million and quadruples year on year**
- ~~££~~ **Gross profit increases by 39% quarter on quarter to £3.9 million and by over 5 times year on year**
- ~~££~~ **Gross profit margin rises to 13.9% for the quarter and by 4 percentage points year on year**
- ~~££~~ **Conversion rate increases from 8.9% to 11.0% quarter on quarter**
- ~~££~~ **Operating cash outflow reduces by 20% quarter on quarter**
- ~~££~~ **UK and combined French operations to be profitable within next twelve months**

Financial Highlights (£'000s)

<u>Year on year</u>	<u>Quarter ended</u> <u>31 March 2001</u>	<u>Quarter ended</u> <u>31 March 2000</u>	<u>Growth</u>
<i>Total transaction value (order based)</i> ¹	£31,005	£7,162	4.3x
Total transaction value	£27,805	£5,762	4.8x
Gross profit	£3,851	£707	5.5x
Gross margin	13.9%	9.9%	Up 4.0 percentage points
Registered subscribers at period end	3,136,077	1,385,042	2.3x
Customers since inception ²	323,747	65,387	5.0x
Cumulative items sold in the period	188,676	74,541	2.5x
Net loss for the period (excl. amortisation of goodwill)	£10,663	£11,002	-3.1%
<u>Quarter on quarter</u>	<u>Quarter ended</u> <u>31 March 2001</u>	<u>Quarter ended</u> <u>31 December 2000</u>	<u>Growth</u>
<i>Total transaction value (order based)</i> ¹	£31,005	£21,052	47.3%
Total transaction value	£27,805	£20,233	37.4%
Gross profit	£3,851	£2,779	38.6%
Gross margin	13.9%	13.7%	Up 0.2 percentage points
Registered subscribers at period end	3,136,077	2,860,736	9.6%
Subscribers to html newsletter	2,422,788	2,261,530	7.1%
Customers since inception ²	323,747	234,549	38.0%
Number of items sold in the quarter	188,676	160,819	17.3%
Net loss for the period (excl. amortisation of goodwill)	£10,663	£11,708	-8.9%
Operating cash outflow	£9,143	£11,415	-19.9%
Cash balance at quarter end	£61,801	£70,928	-12.9%

¹ Order based TTV represents TTV calculated with reference to booking date rather than departure date, the latter being the basis for lastminute.com's stated accounting policy when accounting for TTV. Please refer to page 10.

² Only includes Degriftour's unique customers since 1 October 2000

Allan Leighton, Chairman said:

“This is another set of solid financial results, as we continue to adjust our business model, to focus on quality not just quantity of transactions.

“All the true retail metrics of sales, conversion and gross margin have again increased quarter on quarter, and as a result we expect both the UK and combined French operations to be profitable within the next twelve months.”

Brent Hoberman, Chief Executive, added:

“Our strong brand, the impact of the roll-out of our new technology platform and prudent cash and cost management all mean that lastminute.com remains well-placed to be a lead player in the European e-commerce marketplace.

“As we continue to deliver versus our strategy, our risk profile reduces further. Since 31 March 2001, we have seen continued growth in our key metrics, with record sales results across all countries over the Easter period.”

-ends-

Enquiries:

lastminute.com

Allan Leighton

Brent Hoberman

Martha Lane Fox

Julian Culhane

+44 (0) 20 7802 4200

Katrin Buckenmaier (Investor Relations)

ir@lastminute.com

+44 (0) 20 7802 4206

Citigate Dewe Rogerson

Anthony Carlisle

Duncan Murray

Georgina Peiser

+44 (0) 20 7638 9571

Notes to Editors:

About lastminute.com

Based on the idea of matching supply and demand, lastminute.com currently offers consumers last minute opportunities to acquire airline tickets, hotel rooms, package holidays, entertainment tickets, restaurant reservations, specialty services, gifts and auctions in the United Kingdom, France, Germany, Italy, Sweden, Spain, The Netherlands, Australia and South Africa. In October 2000, lastminute.com acquired the Degri4tour Group, one of France's leading travel groups. At 31 March 2001, lastminute.com had established approximately 9,147 supplier relationships, with companies such as Lufthansa, British Midland, United Airlines, Virgin Atlantic Airways, Starwood Hotels and Resorts Worldwide, Forte Hotel Group, Kempinski Hotels, English National Ballet, The Royal Albert Hall, Conran Restaurants and SFX.

OPERATING REVIEW

Increased focus on quality of transactions and operating margins

Total transaction value for the quarter ended 31 March 2001 was £27.8 million, representing a 37% increase compared to the quarter ended 31 December 2000 (£20.2 million) and an increase of nearly 5 times total transaction value for the equivalent period of the prior year.

Gross margin, defined as gross profit divided by total transaction value, increased to 13.9%, reflecting operating margin improvements due to the better negotiation of supplier contracts, network benefits from Degriktour's product packaging skills and our continued focus on gross margin improvement across the Group.

Advertising and sponsorship revenue stood firm despite the reported overall negative trend for advertising within the industry.

Economies of scale are starting to show across the business

- ?? UK customer acquisition cost decreased by 29% quarter on quarter and 56% year on year to £25.
- ?? A greater return on media spend demonstrated by a reduction in UK media spend of 36% year on year.
- ?? Group average value of item sold in the quarter increased by 25.2% to £164 quarter on quarter.

Technology improvements and operating efficiencies drive an increase in conversion

Conversion during the quarter increased from 8.9% to 11.0%. We ascribe this progress to a faster site, customer interface improvements, greater product availability and customer service efficiencies.

?? *Faster Site*

We successfully improved the availability and performance of our web site with downtime reduced by approximately 50% compared to the prior quarter. It is anticipated that we will improve the service to our site visitors by consistently decreasing overall download times worldwide, and updating the content of a highly dynamic site within a matter of seconds.

?? *Improved User Interface*

We recently introduced to our website a superior merchandising layer, focusing on product visibility, friendlier navigation and better search functionality. This was followed shortly afterwards by the launch of a new Home Page, a Help Desk function, as well as the introduction of a simplified 4-step buying process, making it easier for the customer to transact.

?? *Greater product availability*

In March 2001, we deployed the Degriktour Group's full service flights booking engine in the United Kingdom, Italy and Spain. This booking engine increases our ability to bring solutions at the last minute by splitting the flights offering into special, consolidated and published fares, and enables us to provide a more reliable service to our customers.

?? *Customer service efficiencies*

The new call-logging system, which was introduced in January 2001, as well as the improved online Helpdesk function with an extended FAQ section and simplified feedback/query form have contributed to better customer service and an overall decrease in customer contacts per order of over 30%.

Innovative and cost-effective marketing

As part of this year's Valentine's Day campaign, we created a website called www.officeflirt.com, which was placed by lastminute.com staff and utilised viral marketing methods to generate traffic, subscribers and brand awareness. This campaign generated over 5 million page impressions in the run up to Valentine's Day and continues to attract approximately 1,000 visitors per day. Such innovative marketing techniques while reinforcing the lastminute.com brand, also contribute to a reduction in UK sales & marketing media spend.

Site traffic and brand recognition remain strong

According to data from a study by Media Metrix Europe, lastminute.com was the most visited multi-category travel website in Europe in the month of March 2001. Furthermore, lastminute.com's brand recognition is also increasing on the continent. According to a study in "Stern", a popular German monthly, lastminute.com is one of the three most recognised online providers of travel in Germany and the second 'most liked' online brand.

The integration of lastminute.com and the Degriktour Group, who celebrated their 10th anniversary in April 2001, is progressing well. In a study by AddedValue the strength to which the brands complement one another was confirmed, enabling lastminute.com/Degriktour to better understand the perception of their brands and engage in more targeted marketing.

International presence

In March 2001 we launched a fully localised South African version of our web site in partnership with our Joint Venture Partner Tourvest (Tourism Investment Corporation Limited). Under the joint venture agreement we license our brand and provide technical know-how whilst our joint venture partner is responsible for the set up and associated costs. Hence there is no immediate cash outflow associated with the setup and launch of our joint ventures.

While we are continually evaluating opportunities for further expansion, our current focus is on the consolidation of our existing operations into core and satellite countries, our core countries being the UK, France and Germany. Due to increased back-office efficiencies, we are in the process of reducing costs in the existing satellite offices. These measures should reduce the operating costs of our satellite countries by up to 50%, with little effect on sales. We expect the benefits of this management action to bear fruit towards the end of the current quarter and beyond.

Strengthening the senior management team

We recently announced the appointment of Mike Peirce as Chief Technology Officer. He was formerly CTO of LibertySurf Group SA where he led the deployment of the French ISP portal across the UK and Scandinavia. With 12 years' experience in the retail sector, Mike will oversee the development of the lastminute.com technology platform to support the achievement of our business targets, international presence and multi-platform strategy.

FINANCIAL REVIEW

Total transaction value for the quarter ended 31 March 2001 was £27.8 million, representing a 37% increase compared to the quarter ended 31 December 2000 (£20.2 million) and an increase of nearly 5 times total transaction value for the equivalent period of the prior year.

Total transaction value and gross profit for the quarter ended 31 March 2001 is stated after reducing totals by approximately £3.2 million and £0.3 million respectively, reflecting the change in accounting policy to account for total transaction value and gross profit from booking to departure date. The adjustment for this quarter was relatively significant due to record sales for Easter in mid-April 2001.

Turnover increased by 39.8% compared to the period ended 31 December 2000 and was approximately 4.9 times that in the corresponding period in the prior year. Gross profit for the quarter ended 31 March 2001 was £3.9 million compared to £2.8 million in the previous quarter.

Operating expenses

Product development costs decreased from £3.4 million to £3.2 million. The total amortisation charge for the quarter ended 31 March 2001 in respect of computer hardware and software amounted to £2.1 million.

Sales and marketing costs for the quarter reduced to £7.17 million despite the March quarter being seasonally stronger in respect of travel.

General and administration costs remained relatively unchanged at £4.7 million.

Goodwill arose on the acquisition of Degriktour in September 2000 and is being amortised evenly over the estimated useful economic life of 4 years.

The charge for non-cash share-based compensation is based on the difference between the exercise price of share options granted and the fair value of the underlying ordinary shares at the date of grant.

The company provides for the expected liability for National Insurance on share options over the period of performance. The cost in the profit and loss account represents the charge for the period to meet the expected liability given the period end share price.

Cash balance

At 31 March 2001, the cash position of the group stood at £61.8 million. The operating cash outflow for the quarter ended 31 March 2001 reduced by approximately 20% to £9.1 million compared with £11.4 million for the quarter ended 31 December 2000 (after adjusting for the costs related to the acquisition of Degriktour) and is a direct result of our continued focus on increasing revenues, improving operating margins and reducing costs.

INDEPENDENT REVIEW REPORT TO LASTMINUTE.COM PLC

Introduction

We have been instructed by the Group to review the financial information set out on pages 6 to 9 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board.

A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months ended 31 March 2001.

Ernst & Young
London, 8 May 2001

Second quarter and six months results

ADDITIONAL INFORMATION ON TOTAL TRANSACTION VALUE

	Quarter ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Dec 2000 £000s (Unaudited)	6 months ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Mar 2000 £000s (Unaudited)	6 months ended 31 Mar 2000 £000s (Unaudited)
<i>Total transaction value</i>	<u>27,805</u>	<u>20,233</u>	<u>48,038</u>	<u>7,162</u>	<u>11,417</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Quarter ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Dec 2000 £000s (Unaudited)	6 months ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Mar 2000 £000s (Unaudited)	6 months ended 31 Mar 2000 £000s (Unaudited)
Turnover	4,079	2,917	6,996	834	1,243
Cost of sales	<u>228</u>	<u>138</u>	<u>366</u>	<u>127</u>	<u>186</u>
Gross profit	3,851	2,779	6,630	707	1,057
Operating costs					
Product development	3,247	3,426	6,673	2,571	4,028
Sales and marketing	7,165	7,205	14,370	4,801	7,218
General and administration	4,734	4,691	9,425	1,991	3,483
Amortisation of goodwill	3,665	3,665	7,330	-	-
Non-cash share-based compensation	293	619	912	1,854	2,394
National Insurance provision	<u>29</u>	<u>(458)</u>	<u>(429)</u>	<u>925</u>	<u>1,404</u>
Total operating costs	19,133	19,148	38,281	12,142	18,527
Other operating income	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>
Operating loss	(15,282)	(16,369)	(31,651)	(11,360)	(17,395)
Share of operating loss in joint venture (net of amortisation of negative goodwill)	<u>(4)</u>	<u>(48)</u>	<u>(52)</u>	<u>-</u>	<u>-</u>
Total operating loss: Group and share of JV	(15,286)	(16,417)	(31,703)	(11,360)	(17,395)
Interest receivable	978	1,055	2,033	376	416
Interest payable and similar charges	<u>(20)</u>	<u>(11)</u>	<u>(31)</u>	<u>(18)</u>	<u>(27)</u>
Loss on ordinary activities before taxation	(14,328)	(15,373)	(29,701)	(11,002)	(17,006)
Tax on loss on ordinary activities	-	-	-	-	-
Loss on ordinary activities after taxation	(14,328)	(15,373)	(29,701)	(11,002)	(17,006)
Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>
Transfer from reserves	<u>(14,328)</u>	<u>(15,373)</u>	<u>(29,701)</u>	<u>(11,002)</u>	<u>(17,016)</u>
Loss per share - Basic and fully diluted	(8.41)p	(9.30)p	(17.69)p	(19.32)p	(36.99)p
Weighted number of Ordinary Shares outstanding	170,462,722	165,349,548	167,877,880	56,939,342	46,006,282

Second quarter and six months results

CONSOLIDATED BALANCE SHEET

	At 31 Mar 2001	At 31 Dec 2000	At 31 Mar 2000
	£000s (Unaudited)	£000s (Unaudited)	£000s (Unaudited)
Fixed assets			
Intangible fixed assets	51,306	54,971	-
Tangible fixed assets	15,216	15,040	4,144
Investments			
Joint-ventures – gross assets	304	357	-
– gross liabilities	(62)	(68)	-
– negative goodwill	<u>(356)</u>	<u>(381)</u>	-
	<u>(114)</u>	<u>(92)</u>	<u>-</u>
Total fixed assets	<u>66,408</u>	<u>69,919</u>	<u>4,144</u>
Current assets			
Stocks	133	115	35
Debtors	14,279	10,771	5,874
Cash at bank and in hand	<u>61,801</u>	<u>70,928</u>	<u>131,155</u>
	76,213	81,814	137,064
Creditors: amounts falling due within one year	<u>(29,372)</u>	<u>(24,523)</u>	<u>(7,609)</u>
Net current assets	<u>46,841</u>	<u>57,291</u>	<u>129,455</u>
Total assets less current liabilities	<u>113,249</u>	<u>127,210</u>	<u>133,599</u>
Creditors: amounts falling due after more than one year	149	135	-
Provisions for liabilities and charges	<u>1,079</u>	<u>1,054</u>	<u>2,563</u>
	<u>112,021</u>	<u>126,021</u>	<u>131,036</u>
Capital and reserves			
Called up share capital	1,711	1,702	1,503
Share premium account	112,936	112,928	148,280
Profit & loss account	(70,487)	(56,177)	(21,803)
Other reserves	6,115	5,822	3,056
Merger reserve	<u>61,746</u>	<u>61,746</u>	-
Total shareholders' funds	<u>112,021</u>	<u>126,021</u>	<u>131,036</u>

These interim financial statements were approved by the board on 8 May 2001.

Brent Hoberman
Director

Second quarter and six months results

CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Dec 2000 £000s (Unaudited)	6 months ended 31 Mar 2001 £000s (Unaudited)	Quarter ended 31 Mar 2000 £000s (Unaudited)	6 months ended 31 Mar 2000 £000s (Unaudited)
Net cash outflow from operating activities	<u>(7,861)</u>	<u>(9,497)</u>	<u>(17,358)</u>	<u>(6,363)</u>	<u>(10,743)</u>
Returns on investments and servicing of finance					
Interest received	978	1,055	2,033	326	366
Interest paid	<u>(2)</u>	<u>(11)</u>	<u>(13)</u>	<u>(18)</u>	<u>(27)</u>
	976	1,044	2,020	308	339
Taxation					
Corporation tax paid	-	-	-	-	(1)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	(2,258)	(2,962)	(5,220)	(2,954)	(4,109)
Acquisitions					
Payments to acquire subsidiary	-	(21,350)	(21,350)	-	-
Net cash outflow before management of liquid resources and financing	(9,143)	(32,765)	(41,908)	(9,009)	(14,514)
Management of liquid resources					
Decrease in short term deposits	-	11	11	-	-
Financing					
Issue of share capital	<u>16</u>	<u>5</u>	<u>21</u>	<u>137,817</u>	<u>141,420</u>
(Decrease)/Increase in cash	<u>(9,127)</u>	<u>(32,749)</u>	<u>(41,876)</u>	<u>128,808</u>	<u>126,906</u>
RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET FUNDS					
Movement in cash	(9,127)	(32,749)	(41,876)	128,808	126,906
Cash outflow from short term deposits	-	(11)	(11)	-	-
Net funds at the beginning of the period	<u>70,928</u>	<u>103,688</u>	<u>103,688</u>	<u>2,347</u>	<u>4,249</u>
Net funds at the end of the period	<u><u>61,801</u></u>	<u><u>70,928</u></u>	<u><u>61,801</u></u>	<u><u>131,155</u></u>	<u><u>131,155</u></u>

1. Basis of reporting

The interim financial statements have been prepared on the basis of the accounting policies set out in the group's statutory accounts for the period ending 30 September 2000.

2. Additional Information

	Quarter ended 31 Mar 2001	Quarter ended 31 Dec 2000	Quarter ended 30 Sep 2000	Quarter ended 30 Jun 2000	Quarter ended 31 Mar 2000
Number of items sold in period	188,676	160,819	108,188	90,500	75,541
Number of registered subscribers at period end	3,136,077	2,860,736	2,850,678	2,078,395	1,385,042
Number of customers at period end	323,747	234,549	156,196	107,993	65,387
Number of suppliers at period end	9,147	9,200	9,221	3,458	2,466

Definitions

Registered subscribers are users of the lastminute.com web site who have submitted their e-mail addresses and other data and have elected to receive lastminute.com's weekly email. This does not include users who register with the company, but elect not to receive its weekly e-mails. Since lastminute.com counts its registered subscribers based on their e-mail addresses, users who register multiple times using different e-mail addresses will count as multiple registered subscribers. For example, if a user has registered with lastminute.com using an e-mail address at work and one at home, the user will be counted as two registered subscribers.

Total transaction value does not represent statutory turnover. In the majority of transactions, where lastminute.com acts as agent or cash collector, total transaction value represents the price at which products or services have been sold, net of value added tax and associated taxes. In other cases, for example the reservation of restaurant tables, a flat fee is earned, irrespective of the value of products or services provided. In such cases total transaction value represents the flat fee commission earned. In the small number of cases where lastminute.com acts as principal, total transaction value represents the price at which products or services are sold, net of value added tax and associated taxes. **Order based total transaction value** represents **total transaction value** calculated with reference to booking date rather than departure date, the latter being the basis for lastminute.com's stated accounting policy when accounting for **total transaction value**.

In the majority of cases, lastminute.com does not take ownership of the products or services being sold and acts as agent, receiving a commission from the supplier of the products or services being sold. In these cases, **turnover** represents commission earned, less amounts due or paid on any commission shared. In a limited number of cases, lastminute.com acts as principal and purchases the products or services for resale. Where lastminute.com acts as principal, turnover represents the price at which the products or services are sold. Turnover is recognised once charges to the customer's credit card have been made except for travel, which is recognised on the date of departure, and is stated exclusive of value added tax and associated taxes. Additional revenue streams (e.g. sponsorship) also contribute to turnover.

Gross margin is defined as gross profit over total transaction value.

Operating cash outflow is defined as net cash outflow before management of liquid resources, financing and acquisitions.

Conversion is defined as the **number of customers** over the number of **registered subscribers** (excluding those applicable to joint ventures).

The **number of customers** is the cumulative number of customers (excluding repeat customers) since the inception of lastminute.com and the cumulative number of Degriktour's customers (excluding repeat customers) since 1 October 2000. Customers are defined as individuals who have purchased goods and services over lastminute.com's and Degriktour's platforms.

An **item sold** is an individually priced product or service purchased by a customer within the period.

The **number of suppliers** includes individual airlines, hotels, holiday package suppliers, entertainment vendors, gift suppliers, restaurants and specialty service suppliers.

This press release may contain forward-looking statements. Expressions of future goals, including without limitation, "intend", "will", "should", "are well on track", "expect" or "continue", and similar expressions reflecting something other than historical fact are intended to identify forward looking statements. The following factors, among others, could cause lastminute.com's actual results to differ materially from those described in the forward looking statements: management of lastminute.com's rapid growth; speed of technological change, including introduction of new architecture for its web sites; systems-related failures; the ability to attract and retain qualified personnel; adverse changes in lastminute.com's relationships with airlines and other product and service providers; adverse changes in the services provided by lastminute.com's suppliers; lastminute.com's ability to attract and develop an adequate international supplier and customer base; potential adverse changes in its commission rates; the effects of increased competition; risks relating to operating in internet – based commerce in foreign markets; lastminute.com's dependence on its ability to establish its brand; lastminute.com's ability to protect its domain names and other intellectual property rights; legal and regulatory risks; a slow down in the continued growth of ecommerce and the internet; unforeseen events affecting the travel industry; and factors adversely affecting lastminute.com's share price. All such forward-looking statements are made in reliance on the safe harbour provision of the US Private Securities Litigation Reform Act of 1995. These and other risk factors are described in detail in lastminute.com's shareholder circular dated 8 September 2000, which has been filed with the Securities and Exchange Commission, USA and the Financial Services Authority, UK.