

**lastminute.com – strategy to drive  
profitable growth and leverage scale  
4 October 2004**

# Agenda

The competitive environment Our 5 key markets	Brent Hoberman, CEO
lastminute.com pro-forma 2004 and 2005	David Howell, CFO
Integration of acquisitions and cost savings in FY 2005	Ian McCaig, COO
Conclusion	Brent Hoberman, CEO

2004 numbers contained in this presentation are based on 10 months actual and 2 months estimated results and are subject to audit and full year finalisation

# **The competitive environment**

## **Brent Hoberman, CEO**

# lastminute.com

- Investment in key areas has built competitive advantage
  - Brand
  - Technology
  - Supply
  - Acquisitions
- Moving into FY 2005 our focus is
  - TTV growth
  - Gross profit margin management
  - Leveraging the reduced cost base
  - Improving EBITDA
- Market trends continue to move in our favour
  - Online growth in Europe
  - Short booking window

# Frequently asked questions

- Impact of market trends
  - Are huge marketing investments necessary
  - Is dis-intermediation in the sector a risk
  - Combating margin pressure
- Competitive edge
  - Is lifestyle a distraction
  - A European company and not just UK
  - Dynamic packaging product and consumer adoption
- Leveraging the model
  - Cash position
  - Organic growth
  - Have we made too many acquisitions

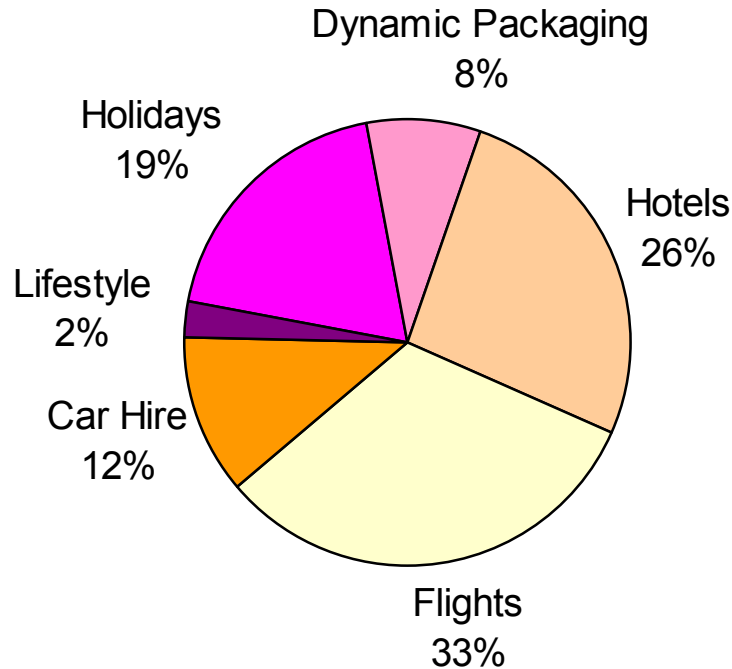
# The sector



# lastminute.com

**Our 5 key markets:  
UK, France, Germany, Italy, Spain**

# UK TTV by product - 2004



Total TTV £718m

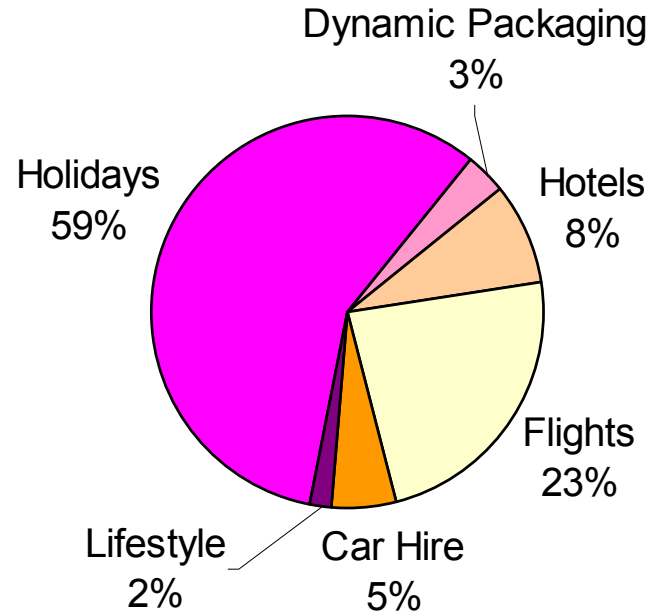
Includes all UK businesses: lastminute.com, travelselect, Destination Group, holiday autos, medhotels, first option, Gemstone, OTC, eXhilaration

Chart shows pro-forma TTV by order date

# lastminute.com - UK

- lastminute.com is number one in UK with expedia, ebookers and opodo its main competition
- Customer acquisition cost Q3 2004 £7.25
- TTV organic growth for UK businesses as at 1 October 2003 is 34% (2004 forecast £450m vs 2003 actual £337m)
- lastminute.com (ie excluding acquisitions) year on year growth for Q4 is c70%
- Further simplification of technology and processes in UK business will deliver efficiency gains in 2005

# France TTV by product - 2004



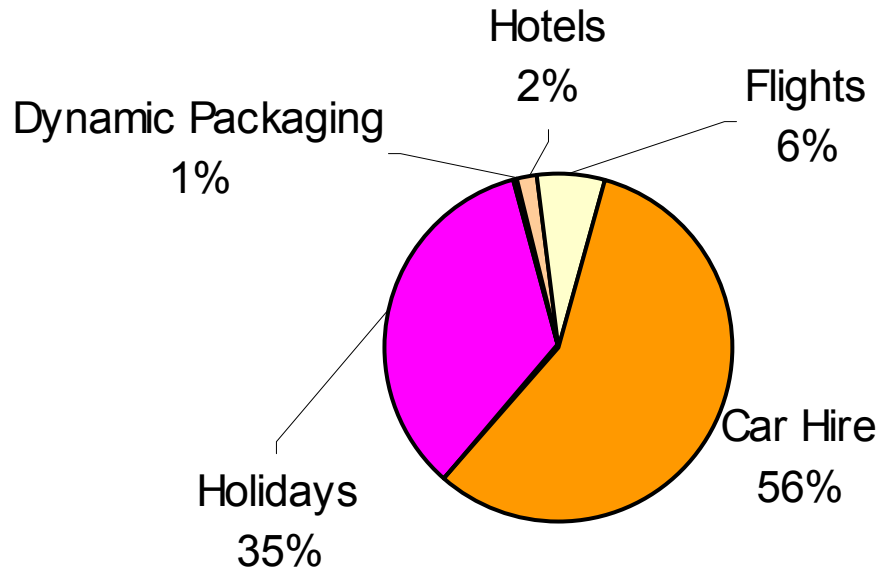
Total TTV £148m

Chart shows pro-forma TTV by order date

# lastminute.com - France

- lastminute.com is number one in France with expedia/voyages sncf, promovacances and opodo its main competition
- Customer acquisition cost Q3 2004 £17.11
- TTV organic growth is 20% (2004 forecast £148m vs 2003 actual £124m)
- lastminute.fr year on year growth for Q4 is 48% (not adjusted for currency)
- Further automation of holidays process through connectivity and dynamic packaging will deliver efficiency gains in 2005

# Germany TTV by product - 2004



Total TTV £116m

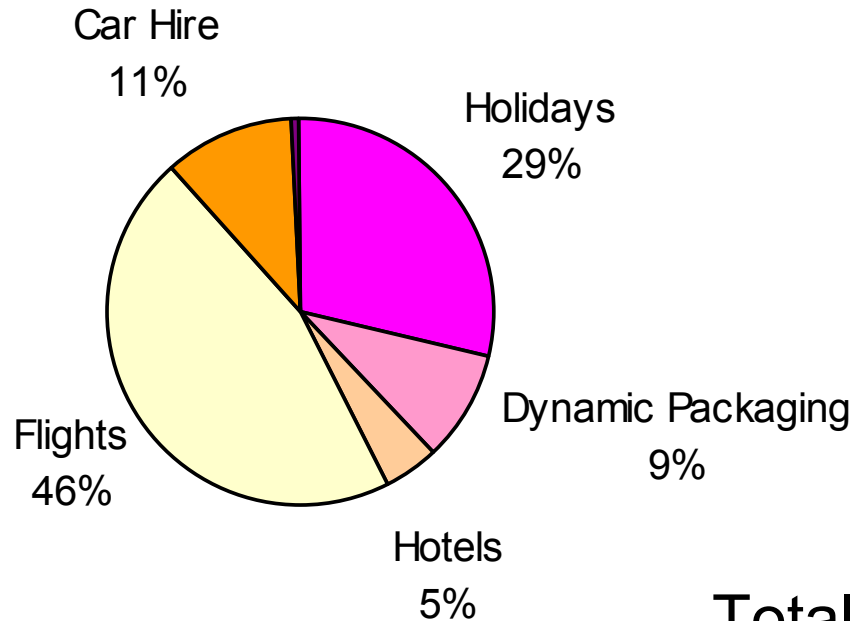
Includes all German businesses: lastminute.com, holiday autos, lastminute.de

Chart shows pro-forma TTV by order date

# lastminute.com – Germany

- lastminute.com is number one online travel brand in Germany with travel24.com, travelchannel.de, opodo.de, expedia, l'tur its main competition
- lastminute.com is one of top 5 in terms of sales
- Customer acquisition cost Q3 2004 £34.69
- TTV organic growth for German business as at 1 October 2003 is 16% (2004 forecast £78m vs 2003 actual £67m)
- Further simplification of technology and processes in German business will deliver efficiency gains in 2005

# Italy TTV by product - 2004



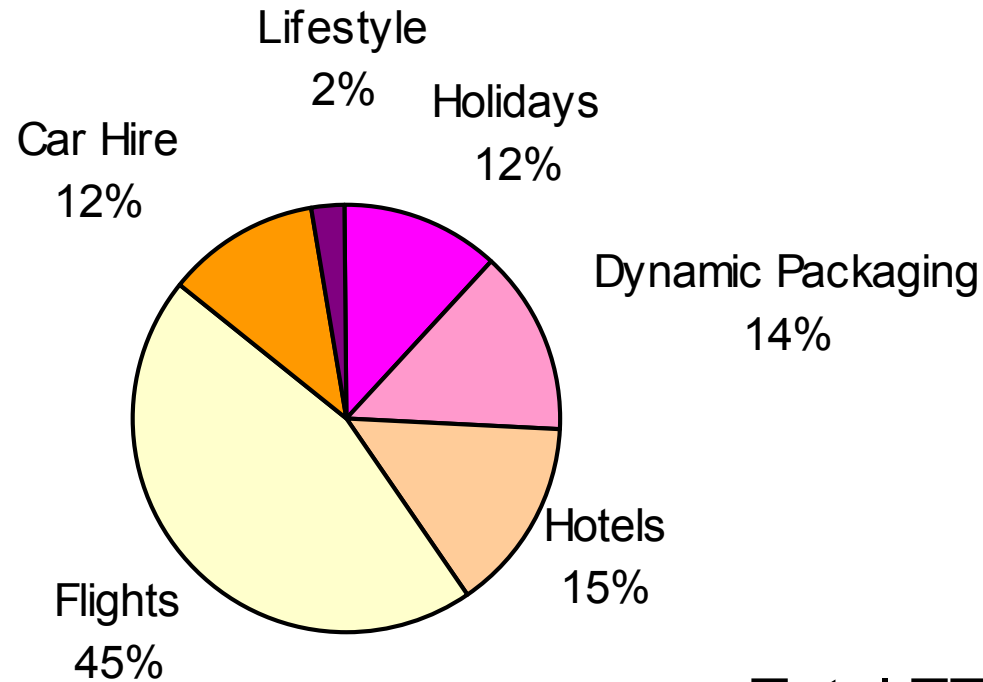
Total TTV £32m

Chart shows pro-forma TTV by order date

## lastminute.com – Italy

- lastminute.com is number one in Italy with its main competition being expedia, edreams, lastminutetour.it and eviaggi/opodo
- Customer acquisition cost Q3 2004 £5.24
- TTV organic growth is 68% (2004 forecast £32m vs 2003 actual £19m)

# Spain TTV by product - 2004



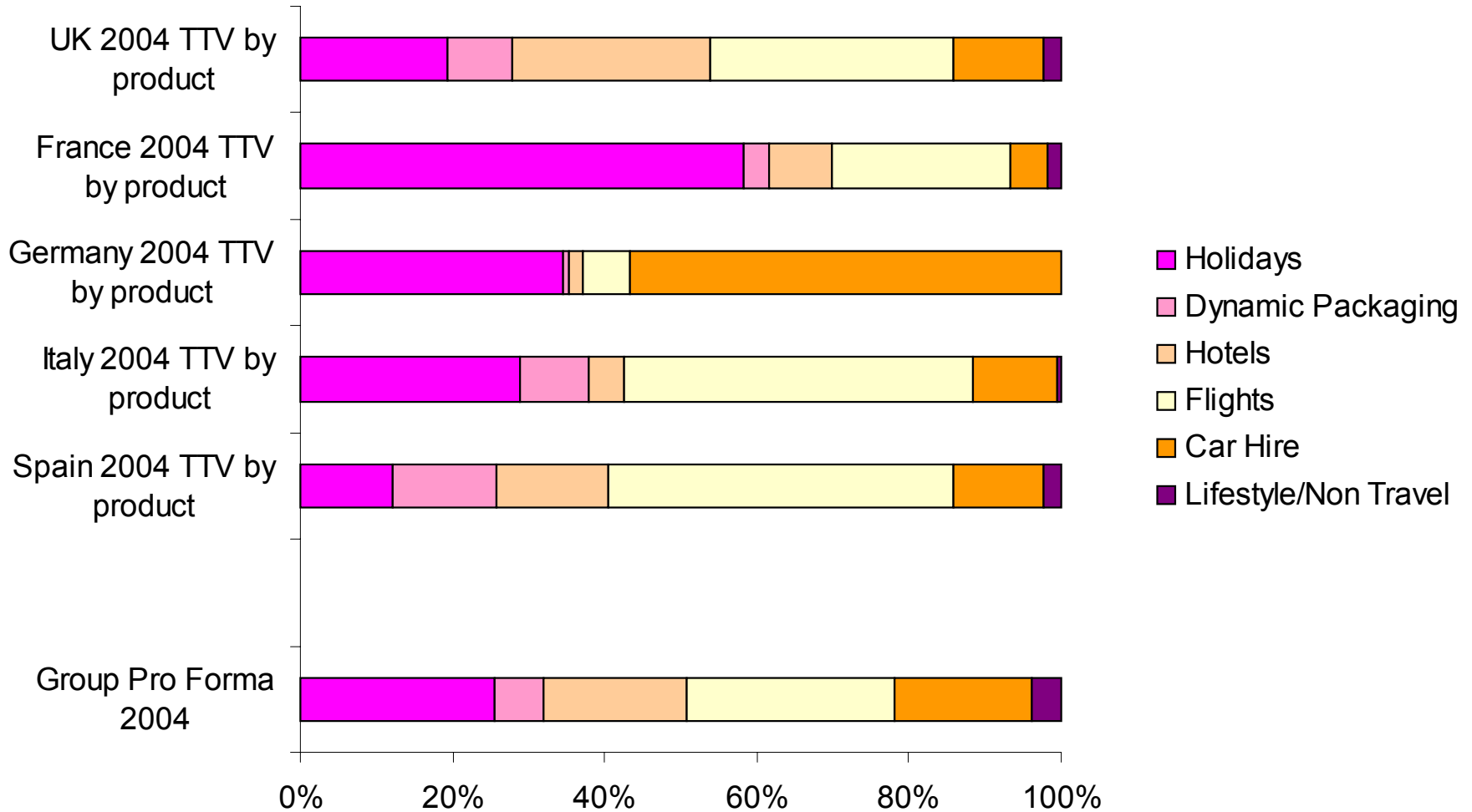
Total TTV £19m

Chart shows pro-forma TTV by order date

## lastminute.com – Spain

- lastminute.com is number three in Spain after Rumbo and Viajar.com
- Customer acquisition cost Q3 2004 £6.09
- TTV organic growth is 46% (2004 forecast £19m vs 2003 actual £13m)
- Already integrated Sol Melia JV and consolidated offices to single site in Barcelona

# Delivering a better product mix



# Lifestyle – a key differentiating factor

- Drives visits, newsletter sign ups and loyalty
- Lowers customer acquisition costs
- Differentiates us from competition and enables us to add more value

# Lifestyle – delivering customers

- Q4 on Q4 customer growth is 55%
- July and August highlights
  - 250,000 items
  - 78,000 theatre tickets– RECORD
  - 120,000 tickets to attractions – RECORD
  - 2,000 restaurant covers per week
  - 1,500 entertainments+restaurants packages in August (uses dynamic packaging functionality). Growth of 250% vs July
  - 2 large London banks now using our eat-in service instead of in-house catering
- Since inception, 41% of customers' first purchase was lifestyle

# Strategic deals – continuing to differentiate and leverage our scale



Increase scope of current services for thomascook.com + retail



Booking systems for 400 shops + call centre + website



HOLIDAYS

White label of dynamic packaging



Dynamic packaging on lunnpoly.com, thefirstresort.com, latedeals.com



Enhanced pan European deal



High street kiosks and in-restaurant booking package



White label of all lifestyle products, including eatin service

**Long standing white label deals with: Tesco, Fnac.com, egg, Iberia, Tiscali, Wanadoo, FT.com, telegraph.co.uk, guardian.co.uk, timesonline.co.uk**

# Technology investment improves customer experience and reduces operating costs - 1

- Core operating system is established
- Enhancements continue to increase range of products and customer conversion
- Focus on delivering an integrated system including all acquisitions
- Utilise technology to drive high margin product and repeat metrics

# Technology investment improves customer experience and reduces operating costs - 2

## Integration

Acquisition integration into lastminute.com currently focused on infrastructure followed by hotels/flights/dynamic packaging

## Sales & service

Rationalisation of existing applications & enhanced business functionality eg Tour ops project - moving onto a single platform. Automation, self service and single view of customer

## Tour Ops

Single System encompassing improved search and deployment of a supplier extranet

## Oracle Financials

HA UK rollout, HAIL rollout, global consolidation, re-engineer UK

## Connectivity

Quick to implement and deliver most reliable and comprehensive service

## Front end

Open source technology  
Enhances site scalability and flexibility

## Shopping Basket

Fastbook to speed up the booking process and a new e-Basket UI

## Lifestyle

Metasearch. Livebookings. New ticketing system

# **2004 & 2005 Pro-forma numbers**

## **David Howell, CFO**

# lastminute.com – pro-forma financial year 2004

## Basis of preparation:

- Restated 2004 numbers as if the 2004 acquisitions had been owned since 1 October 2003\*
- Based on 10 month actuals and 2 months estimate
  - Q4 2004 based on TTV of £400m and EBITDA of £25m pre exceptional items
- Subject to audit and finalisation of year end numbers

\*acquisitions made in FY2004 – Medhotels, First Option, Gemstone, OTC, lastminute.de

# lastminute.com – pro-forma financial year 2004

£ millions	* Existing Group	2004 acquisitions	Pro forma 2004	% Total
<b>TTV (Departure based)</b>				
Holidays	254	115	<b>369</b>	<b>33</b>
Hotels	68	139	<b>207</b>	<b>19</b>
Flights	220	77	<b>297</b>	<b>27</b>
Car hire	197	1	<b>198</b>	<b>18</b>
Non-travel	35	-	<b>35</b>	<b>3</b>
<b>Total TTV</b>	<b>774 <sup>(1)</sup></b>	<b>332</b>	<b>1106</b>	<b>100</b>
<b>Gross profit</b>				
Retail gross profit	135	48	<b>183</b>	<b>16.5</b>
Advertising/commercial revenues	11	5	<b>16</b>	<b>1.5</b>
<b>Total gross profit</b>	<b>146</b>	<b>53</b>	<b>199</b>	<b>18.0</b>
% Gross margin	18.9%	16.0%	<b>18.0%</b>	

\* Group that existed at 30 September 2003

<sup>(1)</sup> Represents organic growth of 28% over 2003

# lastminute.com - pro-forma financial year 2004

£ millions	Existing Group	2004 acquisitions	Pro-forma 2004	% TTV
<b>Gross profit</b>	<b>146</b>	<b>53</b>	<b>199</b>	<b>18.0</b>
<b>Cash costs</b>				
Product development	(9)	(2)	(11)	(1.0)
Sales & marketing – travel agents commission	(27)	(12)	(39)	(3.5)
Sales & marketing - other	(57)	(16)	(73)	(6.6)
General & administration	(37)	(12)	(49)	(4.4)
<b>Total cash costs</b>	<b>(130)</b>	<b>(42)</b>	<b>(172)</b>	<b>(15.5)</b>
<b>EBITDA pre exceptional items *</b>	<b>16 **</b>	<b>11</b>	<b>27</b>	<b>2.5</b>

\* It is anticipated that exceptional items will amount to £8 million for the 2004 financial year

\*\* c.f. 2003 pro-forma EBITDA £10 million

# lastminute.com – 2004 pro-forma seasonality

£ millions	Q1	Q2	Q3	Q4	Pro-forma 2004
<b>TTV</b>					
Holidays	69	73	86	141	<b>369</b>
Hotels	33	47	55	72	<b>207</b>
Flights	56	65	79	97	<b>297</b>
Car hire	35	30	53	80	<b>198</b>
Non-travel	7	11	7	10	<b>35</b>
<b>Total TTV</b>	<b>200</b>	<b>226</b>	<b>280</b>	<b>400</b>	<b>1106</b>
% of 2004 year	18%	21%	25%	36%	

# lastminute.com – actions taken in 2004 to deliver gross margin sustainability in FY 2005

- Improved flights margin by managing ADMs
- Booking fees for flights
- Charging credit card fees
- DCC (dynamic currency conversion)
- Improved overrides
- Search biasing
- Charter flights in dynamic packaging
- Fraud filters
- Charge-backs (VBV)

# lastminute.com – illustration 2005

£ millions	Pro-forma 2004	Cost savings 2005	Growth 2005/2004	Total 2005	% TTV
TTV	1106		26.6%	1400	
Gross profit	199			242	
% TTV	18.0%			17.3%	
<b>Cash costs</b>					
Product development	(11)			(13)	(0.9)
Agents commission	(39)			(49)	(3.5)
Sales & marketing other	(73)	6		(77)	(5.5)
(Variable costs 2004: £39 2005 £49)					
General & administration	(49)	7		(47)	(3.4)
(Variable costs 2004: £16 2005 £21)					
Total cash costs	(172)	13		(186)	(13.3)
<b>EBITDA pre exceptional items</b>	27			55	
% TTV	2.5%			4.0%	

NB Of the £124 million 2005 S&M other & G&A pro-forma costs approximately £70 million are variable costs c.f. £55 million for 2004

# lastminute.com - illustration 2005

## £ millions

Closing cash position 30 September 2004	70
2005 EBITDA projection	55
2005 Capex	(25)
Net interest paid	(4)
Working capital improvement	19
<b>Estimated closing cash @ 30 September 2005</b>	<b>£115</b>

**Integration of acquisitions and cost savings into FY 2005**  
**Ian McCaig, COO**

# Our objectives in FY 2005

- Reduce cash cost base by 10% - excluding travel agents' commission
- Reduce offices by 10
- Reduce headcount by 350

**Target £13m in FY2005**



# Actions

- Actions defined across 5 areas (22 actions underway):
  1. Post-acquisition senior mgt & functional integration
  2. UK call centres/operations efficiency & integration
  3. Procurement & supply management savings
  4. European streamlining
  5. International streamlining
- 16 September consultation started on office closures in Farringdon, Twickenham and Bracknell and process of 'de-layering' UK structure has begun (UK MD exited on 30/09)
- Cost saving customer self-service and process automation projects delivered (details in later slide)
- Senior cost-reduction team appointed from HR, Ops, Finance, reporting to COO meeting weekly
- All recruitment authorised only through COO/HR

# 1 Overview of management & functional integration

- New Group and UK structure being implemented now
- c25 senior roles will disappear in top 2 levels: annual savings c£3.0m (05: c£2.5m)
- Marketing and production from all brands will combine: c20 roles, annual cost savings c£1.5m (05 c£1m)
- Group Technology team simplified and de-layered
- Further integration of the UK finance & admin functions by 03/05 (HA now complete). Annual cost savings of c£1.5m (05 c£1m)

# 1a) Senior Management

- UK MD departed, not replaced
- Strategic review of:
  - UK B2B
  - Global business development
  - Trade
  - White label
  - Partner and affiliate functions
  - Global product groups
- Cost savings annualised £3m, in 05 £2.5m, cost to execute £1.5m

## 1b) UK Marketing and Production

- New UK Marketing Director – ex UK MD holiday autos
- Integration in place by 11/04
- All brands and originating entities included
- Actions to determine brand and sub-brand plans allied to customer relationship management work
- Headcount reduction of c20 (from c70)
- Cost savings annualised £1.5m, in 05 £1m, no cost to execute
  - Achieved through natural attrition and existing headcount freeze

# 1c) UK Finance integration

- lastminute.com and holiday autos teams already integrated but still manual processes to eliminate
- Integration of Medhotels, Online Travel and First Option eShop teams
- Tech dependencies identified (predominantly Oracle)
- Reduce from c190 across originating groups at Sep 04 to c160 entering Summer 05
- Work being done on process improvement and outsourcing operations
- Cost savings annualised £1.5m, in 05 £1m, cost to execute c£0.5m
  - Achieving largely through natural attrition and existing headcount freeze

# 1 a) b) c) deliver

Area	Headcount Impact	Location Impact	Execution cost	05 Saving	Annual Saving
<b>UK Management &amp; Functional Integ</b>	<b>75</b>	<b>0</b>	<b>2m</b>	<b>4.5m</b>	<b>6.0m</b>

## 2 UK Call Centre efficiency & integration

- Internal announcement of project to all staff on 16/09: Sales & Service Excellence Programme (SSEP)
- Consultation has begun in Bracknell (10/04), Farringdon (12/04), Golden Square (12/04), Twickenham (09/05)
- Property consolidation to 3 main locations (London - Global, Woking - Sales, Camberley - service/fulfilment/finance/admin)
- Efficiency gains through tech deliverables identified and planned for 05
- Outsourcing of all ticketing and fulfilment. Further outsourcing under investigation
- Focus on innovative resourcing solutions eg homeworking and commission-only recompense
- Headcount reduction of c105 with cost savings annualised £2.5m annualised, in 05 £1.5m, cost to execute £1m

## 2a) 2004 Technology deliveries to Operations which have benefits in 05

- Self-service flight booking tracking: £0.1m pa (now)
- Confirmation email management: £0.1m pa (now)
- Non-travel canx & amendments: £0.1m pa (now)
- Additional autoticketing functionality: £0.3m pa (now)
- Caller Pre Qualification voice contact management: £0.1m pa (now)
- Additional fraud reduction facilities: £0.1m (available Nov 04)
- ADM/BSP management functionality £1.2m (tracking Q4 04 at required rate)



Total costs taken in 04 not to be taken in 05 c£2m with associated headcount saving of 30

# 2 delivers

Area	Headcount Impact	Location Impact	Execution cost	05 Saving	Annual Saving
UK Management & Functional Integ	75	0	2m	4.5m	6m
<b>UK Call Centre Efficiency, Integration &amp; Tech</b>	<b>135</b>	<b>4</b>	<b>1m</b>	<b>3.5m</b>	<b>4.5m</b>

# 3 Procurement and supply management

- 'Buying rules' established to target better deals with all suppliers
- Single ownership for all general procurement: heavily incentivised, responsible for everything from paperclips to networks
- Reductions of £1m targeted and allocated for 05

# 3 delivers

Area	Headcount Impact	Location Impact	Execution cost	05 Saving	Annual Saving
UK Management & Functional Integ	75	0	2m	4.5m	6m
UK Call Centre Efficiency, Integration & Tech	135	4	1m	3.5m	4.5m
<b>Procurement &amp; Supply Mgt</b>	<b>0</b>	<b>0</b>	<b>nil</b>	<b>1m</b>	<b>1m</b>

## 4a) France

- Efficiencies in Operations from increased automation and replacement of proprietary systems
- General supply overhead reductions
- ADMs, chargebacks, debt targeted further and improved 04-05
- Senior leavers not being replaced and roles filled internally (Sales, HR)
- Total £1m savings in 05

## 4b) Germany

- Reduction in senior management (as of now)
  - Operations management for holiday autos and lastminute.com combined
  - Single Head of Finance
  - Single Head internal IT
  - Customer relations team combined (eliminating duplication)
  - Head of Medhotels departed
- Office consolidation in Munich between lastminute.com and holiday autos
- Package holiday buying synergies between lastminute.com and lastminute.de
- lastminute.de to manage connectivity projects
- Total £1m savings and 1 office closing in 2005

## 4c) Other European

- Ireland
  - lastminute.com and OTC to be combined
  - conclusion by Dec 04
  - £0.5m saving in 05, 1 office closure
- Benelux
  - maintain car business (EBITDA +ve)
  - outsource call centre (France/Switzerland)
  - Dutch business under review
  - £0.5m saving, at least 1 office closure
- Switzerland
  - existing two offices will be combined, 1 office closure

# 4 a) b) c) deliver

Area	Headcount Impact	Location Impact	Execution cost	05 Saving	Annual Saving
UK Management & Functional Integ	75	0	2m	4.5m	6m
UK Call Centre Efficiency, Integration & Tech	135	4	1m	3.5m	4.5m
Procurement & Supply Mgt	0	0	nil	1m	1m
<b>European</b>	<b>85</b>	<b>4</b>	<b>0.5m</b>	<b>3m</b>	<b>3.5m</b>

## 5) International streamlining

- Strategic review of JVs and licences underway
  - South Africa
  - Japan
  - Australia
    - small holiday autos business (operations outsourced)
    - 25.1% share of lastminute.au JV (balance owned by travel.com.au)
    - OTC business (which itself has a 50:50 JV in travel agency staff sales)
  - Middle East
- Will result in office closures and streamlining delivering cost savings £1.5m annualised, £1m in 05, costs to execute £0.5m
- Update at Full Year presentation (25 November 2004)

# Summary

Area	Headcount Impact	Location Impact	Execution cost	05 Saving	Annual Saving
UK Management & Functional Integ	75	0	2m	4.5m	6m
UK Call Centre Efficiency, Integration & Tech	135	4	1m	3.5m	4.5m
Procurement & Supply Mgt	0	0	nil	1m	1m
European	85	4	0.5m	3m	3.5m
Other International	60	4/5	0.5m	1m	1.5m
<b>Total</b>	<b>355</b>	<b>12+</b>	<b>4m</b>	<b>13m</b>	<b>16.5m</b>

Phasing - 2005	Q1	Q2	Q3	Q4
£m	nil	2.2m	4.3m	6.5m

# Areas under review but not yet quantified

- Corporate Travel
  - Under strategic review
  - Existing facilities in Stockport and Amersham
  - c170 staff
- Outsourcing
  - In detailed discussions with potential partners to determine any further outsourcing benefits
  - Beginning discussions on any further outsourcing benefits in our other European markets

# **Conclusion**

## **Brent Hoberman, CEO**

# Driving profitable growth and leveraging scale into FY 2005

- TTV growth
- Gross profit margin management
- Leveraging the reduced cost base



**Improving EBITDA**

# Appendix

# 2003 pro-forma TTV from Q3 Results presentation

<b>£ millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total 2003</b>
<b>UK</b>	57.4	54.7	85.3	119.1	<b>316.5</b>
eXhilaration	0.5	-	-	-	<b>0.5</b>
holiday autos	13.1	6.6	-	-	<b>19.7</b>
	71.0	61.3	85.3	119.1	<b>336.7</b>
<b>France</b>	20.0	22.6	26.6	53.2	<b>122.4</b>
holiday autos	1.0	0.6	-	-	<b>1.6</b>
	21.0	23.2	26.6	53.2	<b>124.0</b>
<b>Germany</b>	2.7	6.6	18.8	25.3	<b>53.4</b>
holiday autos	9.4	4.2	-	-	<b>13.6</b>
	12.1	10.8	18.8	25.3	<b>67.0</b>
<b>Italy</b>	3.3	4.0	5.0	6.6	<b>18.9</b>
	3.3	4.0	5.0	6.6	<b>18.9</b>
<b>Spain</b>	0.9	0.7	1.5	2.4	<b>5.5</b>
lastminute.com Spain	1.0	1.7	1.9	2.7	<b>7.3</b>
	1.9	2.4	3.4	5.1	<b>12.8</b>
Satellite countries	2.1	2.8	12.5	13.9	<b>31.3</b>
holiday autos	5.2	2.3	-	-	<b>7.5</b>
	7.3	5.1	12.5	13.9	<b>38.8</b>
Joint ventures	0.7	0.8	1.2	1.8	<b>4.5</b>
	0.7	0.8	1.2	1.8	<b>4.5</b>
<b>pro-forma 2003 TTV</b>	<b>117.3</b>	<b>107.6</b>	<b>152.8</b>	<b>225.0</b>	<b>602.7</b>

"We have used lastminute.com for booking city breaks in the past and it is the first and last place we use now due to the value and service!"

"We love lastminute.com, we would never go back to using high street travel agents. We are now discovering what else is on offer and looking to use lastminute.com to book and arrange day trips and treats as well as our holidays. Well done lastminute.com!!!

The place we stayed was amazing and everybody couldn't believe the price we paid for such luxury, my friends were very jealous!!!

## What our customers say about us

'We felt like thieves when we arrived at our destination. The value for money was outstanding. Even the Rep told us not to tell anyone how much we had paid!'

I am amazed at how much less i have paid for my Thorpe park ticket, the site was very easy to follow..... marvellous...will recommend.

great value for money, wouldn't shop for a holiday anywhere else! This was one of our best holidays! I have booked the last 3 holidays with you and look to your web before going anywhere else.

Our holiday was superb. The apartment was excellent, the location perfect and the reps were 1st class. In fact, the whole experience went to my head and I proposed to my girlfriend whilst we were there! She's now my fiancé! All in all - GREAT!

This presentation 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 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 e-commerce 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.