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lastminute.com

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26 January 2004

Notice of Annual General Meeting and New Share Incentives

To lastminute.com Ordinary Shareholders

Dear Shareholder,

Notice of Annual General Meeting and resolutions to adopt the lastminute.com plc Annual Share Bonus Plan, the lastminute.com plc Long Term Incentive Plan and the lastminute.com plc Share Incentive Plan.

I am writing to explain the background to the Company's proposals to be submitted for approval at the Annual General Meeting in relation to the adoption of new share incentive arrangements which form part of a new remuneration policy being implemented by the Company's Remuneration Committee. Also attached to this document is the notice of Annual General Meeting to be held on 4 March 2004.

Following recent acquisitions, material corporate growth and senior executive recruitment, the Remuneration Committee decided that this year was an appropriate time to conduct an extensive review of the remuneration of the Company's Executive Directors and senior executives.

As a result of the review, which was completed in December 2003, the Remuneration Committee is implementing a new remuneration policy which it believes will retain and develop further the Group's entrepreneurial culture whilst also focusing the majority of future executive remuneration on performance-related compensation, which the Committee believes will be in shareholders' best interests. The new policy provides a framework to motivate and retain the existing Executive Directors and senior executives and enables the Company to be competitive when recruiting.

To support the principles of this new policy the Remuneration Committee has introduced or is proposing to introduce a number of changes to the existing compensation structures:

- a new annual share bonus plan from 1st October 2003 which will operate so that 50% of any bonus is payable in cash with the remainder in shares; half of these bonus shares will be held within the plan and belong to the participant immediately and the other half of the shares will be deferred and released to the participant after three years and may be forfeited in certain circumstances;
- a new Long-Term Incentive Plan with the release of awards based on the Company's comparative total shareholder return performance against the comparator group set out below;
- a change to granting options on an annual basis rather than block grants, with new grants vesting over three years and having performance conditions which initially are likely to be based on earnings per share growth and comparative total shareholder return measures; and
- the introduction of a minimum shareholding requirement for the Executive Directors and senior executives.

In addition, the Company is proposing to introduce an Inland Revenue approved all employee Share Incentive Plan to allow employees to invest tax efficiently in shares of the Company.

We have recently consulted the Company's principal shareholders on the detailed terms of the proposed remuneration policy and new share arrangements. We are grateful for shareholders' comments and interest during this consultation process. Following completion of this consultation process, the majority of shareholders of the Company (by percentage holding) have indicated to the Company that they are supportive of the proposals contained in this circular. The Remuneration Committee received wholly independent advice on executive compensation and incentives from Halliwell Consulting during the year.

New Remuneration Policy

The Remuneration Committee's new policy is to set the main elements of the remuneration package for the Executive Directors at the levels outlined in Appendix 1, which shows the existing remuneration arrangements as compared to the new policy.

Comparator Group

The comparator group against which the Company intends to use to measure its performance and benchmark its remuneration on an ongoing basis consists of the following companies:

Amazon	Game Group	My Travel
Arena	HMV	N Brown
Burberry	Holidaybreak	New Look
Carphone Warehouse	Interactive Corporation	Next
City Centre	LA Fitness	Punch Taverns
Easyjet	Luminar	Sportech
Ebay	Manchester United	Ted Baker
Ebookers	Merchant Retail	Wembley
First Choice	Monsoon	

The basis of selection of the comparator group was:

- retail companies with a comparable market capitalisation to that of lastminute.com;
- retail companies with a significant online presence;
- leisure and travel companies with which lastminute.com competes for similar customers' spend; and
- US based companies operating in a similar market or fashion to lastminute.com.

The Remuneration Committee, with input from Executive Directors and shareholders, will continue to review the comparator group on an ongoing basis to ensure that it continues to be appropriate to the Company and market factors generally.

Fixed Compensation

Base Salary

The Remuneration Committee's policy is to set the base salaries of the Executive Directors' at around the lower quartile to ensure that the fixed cost of the Executive team to shareholders is minimised and to support the existing highly entrepreneurial approach of the management team.

It is the Company's intention to move the salaries of the Executive Directors toward the lower quartile position over a 12 month period.

Pensions

In line with the standard employee remuneration package, the Company provides each Executive Director with a salary supplement of 14% of basic salary, which may be taken in cash or by way of a contribution to their individual pension arrangements.

Benefits

Benefits comprise life assurance, permanent health and private medical insurance.

Performance Based Compensation

New lastminute.com plc Annual Share Bonus Plan ("ASB")

The rationale behind the introduction of the new annual bonus arrangements and the payment of half of the bonus in shares under the ASB is:

- to standardise the senior management bonus potential;
- to operate a plan which is principally driven by the annual performance of the Company;
- to operate an arrangement which has a strong retention element;
- to reduce the cash cost to the Company; and
- to introduce a plan which supports the satisfaction of a shareholding requirement.

Currently, the Executive Directors and senior executives have different annual bonus arrangements with the maximum bonus potential available being a cash bonus of 100% of salary. The introduction of the ASB will require the agreement of some of the Executive Directors who have contractual entitlements to cash bonuses of up to 100% of salary.

Under the new annual bonus arrangements Executive Directors and other members of the Senior Management Board will have a maximum bonus potential of 100% of salary (75% for Operating Board members); 50% of the bonus earned will be paid in cash and the other 50% paid in shares.

The proposed operation of the ASB is as follows:

Half of the net bonus earned is paid in shares. Of these shares half will be held in trust and belong to the executive immediately ("Bonus Shares") and the other half will be deferred and released to the executive after three years ("Deferred Bonus Shares").

If the executive disposes of any of the Bonus Shares during the three year deferral period a corresponding proportion of Deferred Bonus Shares will be forfeited.

If the executive terminates their employment during the deferral period they will retain their Bonus Shares but forfeit the Deferred Bonus Shares. In certain circumstances, the Company will retain the discretion to allow the partial or complete release of the Deferred Bonus Shares if an executive leaves, (eg. death, injury or disability, redundancy or retirement).

Full details of the Annual Share Bonus Plan are set out in Appendix 2.

The following table shows the split between immediate cash bonus, Bonus Shares and Deferred Bonus Shares assuming a maximum annual bonus payout:

Bonus	Executive Directors	Senior Management Board	Operating Board
Maximum Bonus (as a % of Salary) Including all Elements	100%	100%	75%
Cash Element	50%	50%	37.5%
Bonus Shares	25%	25%	18.75%
Deferred Bonus Shares	25%	25%	18.75%

New lastminute.com plc Long-Term Incentive Plan ("LTIP")

An LTIP award is a conditional award of shares which is made at no cost to the participant. Subject to the satisfaction of stringent performance conditions and continued employment throughout a holding period of three years from the date of grant, some or all of these shares will be released to participants. Full details of the LTIP are set out in Appendix 3.

LTIP Performance Requirements

The performance measure for the award of shares under the LTIP is based on total shareholder return ("TSR") performance measured against a comparator group of 26 companies (the "Comparators") set out above.

The Company has adopted a comparative TSR¹ measure to ensure that it not only improves its earnings per share but that on a comparative basis it is also delivering at least median share price performance against its comparator group.

In addition the Remuneration Committee will satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the Company before the release of any share awards under the LTIP in accordance with the ABI guidelines. Therefore, one of the corporate performance measures that the Remuneration Committee will be considering in determining whether the recorded TSR is a genuine reflection of the underlying financial performance of the Company is its EPS performance over the measurement period.

Existing Executive Share Option Scheme

To date the Company has generally made one off option awards to Executive Directors and senior employees on recruitment and where necessary made top up grants. Options vest on a US style step vesting basis i.e. over a three year period with a percentage of the option vesting each month. Other than top up grants made to the Chief Executive and Group Managing Director in the last year, options have not been subject to the achievement of corporate performance targets.

The Remuneration Committee appreciates that this is not in line with best corporate governance requirements and intends to align future share incentives to the Company's strategy and delivery of shareholders' expectations.

Option Performance Requirements

The Remuneration Committee believes that EPS is now a key performance indicator for the Company. The Committee has taken the following factors into account when deciding the appropriate earnings per share performance measure for grants of options:

- the median and upper quartile historic levels of year-on-year growth in earnings per share ("EPS") for the Comparators; and
- the projected EPS growth of the Company provided by external analysts.

By introducing performance targets to options, options will only vest after the required level of performance is reached. Full vesting will only occur for annual compound growth in EPS equal to inflation plus 20%.

The EPS figures used by the Company to calculate the vesting of options will be the audited EPS figure disclosed in the Company's financial statements.

Given the Company's current transition to profitability and the corresponding low EPS base point in addition to a challenging EPS growth target the Remuneration Committee has decided that for 2004 option grants, option vesting will be subject to a TSR underpin so that option vesting will only occur if the Company's TSR performance is at least at the median position within the comparator group. This is designed to ensure that EPS performance correlates to meaningful share price growth.

It is currently anticipated that future grants will be subject to EPS performance without a TSR underpin but the Remuneration Committee will continue to carefully review the appropriateness of performance conditions over the next few years.

This structure demonstrates the Remuneration Committee's desire to correlate incentive arrangements with the achievement of substantial performance.

¹Total Shareholder Return ("TSR") – is a measure showing the return on investing in one share of the Company over the performance period (the return is the value of the capital gain and reinvested dividends). It is normally used comparatively and the company which achieves the best return is ranked number one. TSR will be calculated by using the average share price in the 12 month period preceding the date of grant and the 12 month period preceding the end of the performance period.

Proposed Grants for First Awards under the New Framework & Policy

The following table sets out the level of the proposed grant policy using both share arrangements for the Executive Directors:

Position	Long-Term Incentive Plan (% of Salary)	Option Scheme (% of Salary)	Total Annual Share Awards (% of Salary)
Chief Executive	100%	200%	300%
Chief Financial Officer	100%	150%	250%
Chief Operating Officer	100%	150%	250%
Vice Chairman	100%	150%	250%

The above grant levels have been set as an introductory grant policy on the launch of new share incentive arrangements. They also take into account the fact that going forward options will vest over a three year period and will be subject to the satisfaction of stretching performance conditions whereas previously Executive Directors' options were subject only to monthly step vesting with no performance targets.

It is anticipated that ongoing maintenance grant levels will be lower with the Chief Executive receiving maximum share awards of between 200-250% of salary and the award levels of the other Executive Directors proportionately reduced. It should also be noted that should the Remuneration Committee change its underlying policy in relation to base salary (which is not currently anticipated) then this would necessitate a review of all elements of remuneration and corresponding award levels.

The intention is that the balance of share incentives in future years will be weighted towards LTIP awards. It is the opinion of the Remuneration Committee that it is appropriate to grant combined grants of performance based options and LTIP awards because:

- the cost of using LTIP awards only for 2004 / 2005 would have a considerable impact on the P&L of the Company at an important time in its corporate development. In the future as the Company's profitability increases it is intended that the weighting between LTIP awards and options will move substantially in favour of the LTIP;
- different performance measures can be used with each type of share incentive; and
- using both methods of share delivery together maximises the advantages of each while minimising the disadvantages.

Proposed Vesting for the First Awards

Long-Term Incentive Plan:

TSR Position Against Comparator group	Long-Term Incentive Plan % of Shares Released
Below Median	0%
Median	30%*
Upper Quartile	100%*

*There is straight line vesting between these points

Option Scheme:

EPS Growth*	Option Scheme % of Option Vested
EPS growth of less than UK Retail Prices Index +5% p.a.	0%
EPS growth of UK Retail Prices Index +5% p.a.	20%**
EPS growth of UK Retail Prices Index +10% p.a.	30%**
EPS growth of UK Retail Prices Index +20% p.a. and greater	100%**

*Vesting will only occur if the Company's TSR performance is at least at the median of the comparator group

**Straight line vesting will occur between these points

Shareholding Requirement

Shareholdings across the Executive Directors and senior executives are not uniform, with more recent additions to senior management of the Company having significantly less exposure to the effects of the share price of the Company. The Remuneration Committee therefore intends to introduce minimum shareholding guidelines to encourage substantial long-term share ownership throughout the executive team. The guidelines will require that over a five year period Executive Directors and senior executives build up and retain a holding of shares based on a percentage of salary. The Remuneration Committee believes this forms a stable incentive pay platform on which to build a responsible relationship between shareholders, senior management and the Company.

Whilst the Company's share schemes will require executives to retain a certain amount of shares (measured by a percentage of salary), the executives will have the flexibility to acquire shares in other ways should they desire, e.g. market purchases. However, it is intended that executives shall be able to build up the necessary shareholding through the combined effect of the ASB shares, the LTIP and option vesting through the attainment of the performance criteria. The table below summarizes the new shareholding requirement policy:

Position	Recommended Shareholding Requirement as % of Salary (Built up over five years)
Chief Executive	250%
Chief Financial Officer	200%
Chief Operating Officer	200%
Vice Chairman	200%
Senior Management Board Member	150%

New lastminute.com plc Share Incentive Plan (“SIP”)

The Remuneration Committee has also considered ways of further encouraging all employee participation in share incentive plans. The Company currently operates a sharesave scheme as an all employee arrangement and grants options to all employees when they join the Group and the Remuneration Committee believes that the addition of a SIP will give it the tools to establish a comprehensive share-related benefit program.

The SIP is a whole share ownership plan (as opposed to an option over shares) in which all eligible employees of the Company can participate. It introduces share ownership to the employee through three ways: free shares, partnership shares and matching shares. The employee may buy partnership shares with pre-tax salary, the Company may award free shares annually, and it may match any partnership shares purchased in one year with additional matching shares. A SIP is an Inland Revenue approved scheme, and provides its benefits in a tax efficient manner.

The Remuneration Committee proposes that shareholders and the Company adopt the SIP at the Annual General Meeting although neither the date of launch of the Plan nor the elements to be offered have yet been decided. Full details of the SIP are set out in Appendix 4.

Costs & Benefits

The tables in Appendix 5 show the modelled potential value of awards for Executive Directors and senior executives at the point of payment and the corporate benefits and costs to the Company. The modelling is based on an assumed share price growth of 11% p.a. for median level performance and 29% p.a. for upper quartile performance². We have also modelled EBITDA growth at 13%p.a. and 23% p.a. for median and upper quartile performance respectively.

The following points should be considered when looking at the potential value of awards:

- the modelling assumes that the level of awards set out above will continue throughout the modelled period which will not necessarily be the case;
- executives will not receive any benefit unless the corporate performance conditions are satisfied and they remain employed at the end of the three year holding periods.

Median

In summary, to receive the median level of benefits modelled, executives will have delivered the following performance over the three year performance periods:

- 11%p.a. share price growth;
- 10%p.a. earnings growth (above UK Retail Prices Index); and
- median TSR performance against the Comparators.

Upper Quartile

In summary, to receive the upper quartile benefits modelled, executives will have delivered the following performance over the three year performance periods:

- 29%p.a. share price growth;
- 20%p.a. earnings growth (above UK Retail Prices Index); and
- upper quartile TSR performance against the Comparators.


In addition, for the benefits to be paid in consecutive years the level of performance must be achieved for each grant.

The Remuneration Committee will monitor dilution to ensure that the issue of new shares falls within ABI guidelines for all employee and discretionary executive schemes.

Copies of the rules of the lastminute.com plc Annual Share Bonus Plan, lastminute.com plc Long-Term Incentive Plan, and lastminute.com plc Share Incentive Plan (the “Plans”) will be available at the offices of Halliwell Consulting, Floor 7, 75 King William Street, London EC4N 7BE, during usual office hours (Saturdays, Sundays and Bank Holidays excepted) from the date of despatch of this letter until the date of the meeting, and at the place of the meeting for at least fifteen minutes prior to and during the meeting.

Your Directors believe that the Plans and the associated share incentive framework is in the best interests of shareholders and the Company and recommend that you vote in favour of the resolutions as they propose to do in respect of their own holdings amounting to 37,608,254 ordinary shares, 12.51% of the ordinary share capital of the Company.

Yours sincerely
lastminute.com plc



Allan Leighton
Chairman

²The salary figures used to calculate future levels of grants have been increased by 5% p.a. to take into account potential salary increases over the period modelled.

Appendix 1 Summary of Current and Proposed Remuneration Policy

Element of Remuneration	Current Policy	Proposed Policy	Reason
Fixed Salary	Below the lower quartile	To move salaries to the lower quartile position where necessary over a period of 12 months	To maintain a low fixed cost base in line with an entrepreneurial management style
Annual Bonus	No standard arrangement for Executive Directors and senior employees. Maximum annual bonus potential is 100% of salary payable in cash .	Maximum annual bonus potential of 100% of salary for Executive Directors Bonus targets based on EPS, EBITDA and individual objective targets for Executive Directors and other members of Senior Management Board 50% in cash, 50% in shares under ASB	Standardises senior management bonus potential Drives annual performance Introduces a plan which supports a shareholding requirement and encourages share retention Minimises cash cost to the Company
Benefits in Kind	Benefit Allowance (maximum 14% of salary)	No change	–
Share Incentive	Options only One off option grants on recruitment with discretionary top up grants. No performance targets. US style vesting over 3 year period with instalments vesting monthly	Use a combination of whole share and option awards on annual basis. Introduce a Long Term Incentive Plan with performance based on comparative TSR over 3 year period Options to vest over a 3 year period based on EPS performance	Provides balanced share arrangements which are retentive as well as incentivising and are cost effective for the Company Fosters a total compensation package focussed on performance given the lower quartile levels of salary Links share incentives to the business strategy using performance targets Annual grants and use of performance targets in line with corporate governance best practice Share arrangements which have same corporate rules and parameters in the UK and internationally
Shareholding Requirement	None	To introduce a minimum shareholding requirement based on a percentage of salary to be built up over 5 years	To encourage substantial long-term share ownership throughout the executive team

Appendix 2 lastminute.com plc Annual Share Bonus Plan (the “ASB”)

Glossary of Terms

Term	Meaning
“Close Period”	any time when employees of the Company are prohibited from dealing in Shares by the Model Code (contained in the appendix to Chapter 16 of the Listing Rules), a Company code or any other regulation which prohibits dealing in Shares
“Committee”	the Remuneration Committee of the Company
“Control”	the meaning of control set out in Section 840 of the Income and Corporation Taxes Act 1988
“Participant”	an eligible employee approved by the Committee and granted an Award
“Rules”	the rules of the relevant Plan setting out the terms and conditions relating to participation
“Shares”	Ordinary shares of the Company

Operation

The Committee, the members of which are non-executive directors, supervise the operation of the ASB in respect of the Executive Directors and Senior Employees of the Company.

Eligible Employees

Any employee of the Company selected by the Committee, typically the Executive Directors and members of the Senior Management Board and Operating Board. Non-executive directors are not eligible to participate in the Plan.

Type of Awards

Awards shall be granted in the form of Bonus Shares and Deferred Bonus Shares (the “Awards”). Deferred Bonus Shares are deferred and conditional grants of Shares.

Calculation of Awards

The number of Bonus Shares will be calculated by dividing a quarter of the total bonus net of tax by the market value of a Share of the Company at the date of grant of the Award. The number of Deferred Bonus Shares shall be calculated by dividing a quarter of the total bonus pre tax by the market value of a share of the Company at the date of grant of the Award.

Timing of Awards

Awards will be made within a reasonable period of time following the determination of the annual bonus provided that no Award may be made during a Close Period.

Conditions Attaching to Awards

Awards of Bonus Shares are normally subject to a restricted period of three years. If any or all Bonus Shares are removed from the Plan during the restricted period a corresponding proportion of Deferred Bonus Shares will be forfeited.

Awards of Deferred Bonus Shares are normally subject to a holding period of three years. For Awards of Deferred Bonus Shares granted in respect of FY2004 the holding period has been set at three years.

The payment of bonus shall be dependent upon the extent that the performance requirements attaching to the annual bonus plan have been achieved. The performance requirements applicable to the annual bonus plan will vary depending upon the seniority of the employee but will consist of a combination of corporate financial measures, divisional financial measures and individual non-financial objectives.

No Awards shall be granted within six months of a Participant’s anticipated date of retirement from the Company.

Limits

The maximum value of the cash bonus, Bonus Shares and Deferred Bonus Shares awarded under the Plan shall not exceed in aggregate 100% of the Participant’s salary in respect of any bonus year.

The Company may issue 10% of its Shares within a ten year period to satisfy awards to Participants in the ASB and any other share plan operated by the Company under which Shares are issued. Where awards which will be satisfied by the issue of Shares are granted to executives, no more than 5% of the Company’s Shares will be issued under the ASB or any other executive share plan operated by the Company. The Committee will be monitoring the issue of Shares during the ten year period.

Release of Awards

Awards of Deferred Bonus Shares will normally be released at the end of the applicable holding period subject to the satisfaction of the attached conditions. The release of Deferred Bonus Share Awards is conditional upon the Participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers’ National Insurance contributions.

Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank pari passu with existing Shares.

Application will be made for the admission of the new shares to be issued to the Official List of, and to trading on, London Stock Exchange plc’s markets for listed securities following the release of an Award.

Cessation of Employment

If a Participant leaves employment prior to the expiry of the holding period then an Award of Deferred Bonus Shares will normally lapse.

If a Participant’s cessation of employment is the result of specified events, for example injury, disability, retirement, death or redundancy, the Committee may determine that part or all of that Participant’s Deferred Bonus Shares may be released to the Participant.

In applying this discretion the Committee shall pro-rate the number of Shares subject to the Award which shall be released dependent upon the proportion of the relevant holding period completed on the date of cessation.

Change of Control

In the event of a takeover, reconstruction, amalgamation or winding up of the Company any Awards of Deferred Bonus Shares shall be Released.

In certain circumstances Awards may be exchanged for Awards over shares in the acquiring company.

It should be noted that Awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in control of the Company i.e. new ownership of the Company.

In the event of a merger or demerger of the Company, the Committee may determine that all Awards may be released provided that the above change of control provisions are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in control of the Company.

Alternatively, the number of Shares comprised in an Award may be adjusted as the Committee in its discretion shall determine and the auditors of the Company confirm to be fair and reasonable.

Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to an Award may be adjusted in such manner as the Committee determines and the auditors of the Company confirm to be fair and reasonable.

Duration

The Committee may not grant awards under the ASB more than five years after its adoption unless the Plan is extended pursuant to shareholder authority for a further period of up to five years.

Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Shares that may be issued cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the ASB, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the group.

The Committee may add to, vary or amend the Rules of the ASB by way of a separate schedule in order that the ASB may operate to take account of local legislative and regulatory treatment for Participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the ASB as summarised above.

General

Shares acquired, awards and any other rights granted pursuant to the ASB are non-pensionable.

Non-Transferability of Awards

Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

Note:

This Appendix summarises the main features of the ASB but does not form part of it and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Copies of the Rules will be available for inspection at the offices of Halliwell Consulting, Floor 7, 75 King William Street, London EC4N 7BE, during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the AGM and at the meeting itself. The Directors reserve the right up to the time of the meeting to make such amendments and additions to the Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 2.

Appendix 3 lastminute.com plc Long-Term Incentive Plan (the “LTIP”)

Summary of Principal Terms of the LTIP

Item	Long-Term Incentive Plan
Number of Employees Participating	Approximately 30 Participants
Nature of the right	Conditional right over whole number of shares (“LTIP Awards”)
Individual Limits	200% salary p.a. Maximum grant under all Company discretionary share incentive schemes 300% of salary
Frequency of grants	Grant of LTIP Awards will normally be made once or twice a year
Period before LTIP shares are released	3 years from the date of grant
Corporate Dilution Limits	10% in ten years under all share arrangements 5% in ten years for all discretionary share arrangements (no discretion to exceed the 5% limit). There will be no formal flow limits on the issue of new shares. However, the Remuneration Committee will monitor the issue of new shares to ensure a balanced policy
Cessation of employment	Normally LTIP Awards will lapse if the participant ceases employment during the three year period from grant. On cessation for injury, disability, redundancy, retirement and death there will be a proportionate release of LTIP Awards depending upon the lapse of time and satisfaction of attached performance requirements
Performance Requirements	Comparative total shareholder return with a requirement that the Remuneration Committee will ensure that the underlying financial performance of the Company is consistent with TSR performance
Change of Control	Proportionate release depending upon proportionate satisfaction of attached performance requirements and the Remuneration Committee will also take into account the proportion of the relevant holding period completed. It should be noted that no LTIP Awards will be released unless there has been a real rather than a technical change of control
Re-Testing	No re-testing The performance will be measured at the end of the three year period. If the performance measures are partially or completely satisfied some or all of the share awards will be provided to participants. If the performance measures are not satisfied or partially satisfied the award or the balance of the award (as appropriate) will lapse

Operation

The Remuneration Committee (the “Committee”), the members of which are non-executive directors, supervise the operation of the LTIP in respect of the Executive Directors and Senior Employees of the Company.

Eligible Employees

Any employee of the Company selected by the Committee, typically the Executive Directors and members of the Senior Management Board and Operating Board. Non-executive directors are not eligible to participate in the Plan.

Grant of Awards

LTIP Awards will normally be granted to each Participant within a 42 day period following the date of publication of the interim or annual results of the Company. For 2004 it is intended that there should be a combined grant of LTIP Awards and options forthwith upon approval of the LTIP by shareholders. No awards will be granted during a Close Period.

LTIP Awards will either be conditional grants of Shares or nil cost options.

No LTIP Awards shall be granted within six months of a Participant’s anticipated date of retirement from the Company.

Conditions Attaching to LTIP Awards

LTIP Awards are normally subject to a holding period of not less than three years from the date of grant. For LTIP Awards to be granted in respect of FY 2004 the holding period has been set at three years.

The release of awards will be subject to the satisfaction of performance requirements. The current performance requirements are set out in full in the accompanying Chairman’s letter.

Limits

The maximum market value of Shares subject to an LTIP Award at the relevant date of grant shall not exceed in aggregate 200%³ of the Participant’s salary in any calendar year.

The Company may issue 10% of its Shares within a ten year period to satisfy awards to Participants in the LTIP and any other share plan operated by the Company under which Shares are issued. Where awards which will be satisfied by the issue of shares are granted to executives, no more than 5% of the Company’s Shares will be issued under the LTIP or any other executive share plan operated by the Company. The Committee will be monitoring the issue of Shares during the ten year period.

³The maximum aggregated levels of awards that can be granted in any one year under all the Company’s discretionary share incentive arrangements cannot exceed 300% of salary. The only exclusion from this limit is all employee plans such as the proposed SIP.

Release of LTIP Awards

LTIP Awards will normally be released at the end of the applicable holding period subject to the satisfaction of the performance requirements and any other conditions determined at the date of grant of the relevant LTIP Award. The release of LTIP Awards is conditional upon the Participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' National Insurance contributions.

If the performance requirements are not satisfied or partially satisfied at the end of the holding period, the LTIP Award or the balance of the Award (as appropriate) not released shall lapse. There will be no re-testing of the performance requirements.

Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank *pari passu* with existing Shares.

Application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, London Stock Exchange plc's markets for listed securities following the release of an LTIP Award.

Cessation of Employment

If a Participant leaves employment prior to the expiry of the holding period then the LTIP Award will normally lapse.

If a Participant's cessation of employment is the result of specified events, for example injury, disability, retirement, death or redundancy, the Committee may determine that part or all of that Participant's LTIP Awards may be released to the Participant.

In applying this discretion the Committee shall pro-rate the number of Shares subject to the LTIP Award which shall be released will be dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, LTIP Awards shall only be released if the attached performance requirements have been proportionately satisfied on the date of cessation.

Change of Control

In the event of a takeover, reconstruction, amalgamation or winding up of the Company then the number of Shares subject to the LTIP Awards which will be released shall be pro-rated dependent upon the extent to which the attached performance requirements have been satisfied on the date of the occurrence of the event. The Remuneration Committee will also take into account the proportion of the relevant holding period completed when determining the number of Shares to be released.

In certain circumstances awards may be exchanged for awards over shares in the acquiring company.

It should be noted that LTIP Awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in control of the Company i.e. new ownership of the Company.

In the event of a merger or demerger of the Company, the Committee may determine that all LTIP Awards may be released provided that the above change of control provisions are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in control of the Company.

Alternatively, the number of Shares comprised in an LTIP Award may be adjusted, as the Committee in its discretion shall determine and the auditors of the Company confirm to be fair and reasonable.

Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to an LTIP Award may be adjusted in such manner as the Committee determines and the auditors of the Company confirm to be fair and reasonable.

Duration

The Committee may not grant awards under the LTIP more than five years after its adoption unless the Plan is extended pursuant to shareholder authority for a further period of up to five years.

Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Shares that may be issued cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the group.

The Committee may add to, vary or amend the Rules of the LTIP by way of a separate schedule in order that the LTIP may operate to take account of local legislative and regulatory treatment for Participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the LTIP as summarised above.

General

Shares acquired, awards and any other rights granted pursuant to the LTIP are non-pensionable.

Non-Transferability of LTIP Awards

LTIP Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

Note:

This Appendix summarises the main features of the LTIP but does not form part of it and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Copies of the Rules will be available for inspection at the offices of Halliwell Consulting, Floor 7, 75 King William Street, London EC4N 7BE, during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the AGM and at the meeting itself. The Directors reserve the right up to the time of the meeting to make such amendments and additions to the Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 3.

Appendix 4

lastminute.com plc Share Incentive Plan (the “SIP”)

Operation

The SIP will be supervised by the Remuneration Committee (the “Committee”).

Qualifying Employees

All employees of the Company and its subsidiaries (the “Group”) who shall be determined by the Committee as being qualifying employees, including trustees acting on behalf of such employees. Non-executive directors are not eligible to participate in the Plan.

Type of Awards

From time to time, the Company may invite applications from qualifying employees in accordance with the rules of the SIP.

Employees may enter into a contract to acquire shares in accordance with such terms as the Committee may determine from time to time (“Partnership Shares”). Partnership Shares may be acquired monthly from a Participant’s salary or deductions may be accumulated for a period as determined by the Committee, which may be no more than one year. If deductions are accumulated, the price of the Shares purchased by each employee may be determined as the lower of the market value of the Shares at the beginning of the accumulation period and the market value of the Shares on the date the shares are acquired.

Alternatively, or, in addition to the above, the Committee may, in its discretion, and in accordance with the Rules of the SIP, award a number of shares to each employee being:

- an outright award of shares (“Free Shares”), on such basis as determined by the Committee; and/or
- if an employee agrees to buy a certain number of Partnership Shares, an award of shares (“Matching Shares”), on such basis as determined by the Committee.

All Shares acquired in accordance with the SIP shall be held in a trust and may be subject to a retention period to be determined by the Board. Directors of the Company may be appointed as trustees of such trust.

Individual Limits

The number of Free Shares over which awards may be granted to a qualifying employee under the SIP in any year shall be determined from time to time by the Committee and may be dependent upon performance. The performance may be based on either Group, subsidiary, divisional or personal targets.

The aggregate market value per employee of those Free Shares subject to such awards shall not exceed the statutory maximum for Inland Revenue approved share incentive plans (currently £3,000 per annum).

The number of Partnership Shares that a qualifying employee may acquire from his or her pre-tax salary under the SIP in any year shall be determined from time to time by the Committee. The aggregate market value of those Partnership Shares shall not exceed the statutory maximum for Inland Revenue approved share incentive plans (currently the lesser of £1,500 per annum or 10% of salary).

The number of Matching Shares that the Committee may award if a qualifying employee has acquired Partnership Shares under the SIP in any year shall be determined from time to time by the Committee but shall not exceed the statutory maximum for Inland Revenue approved share incentive plans (currently two Matching Shares for every Partnership Share acquired). It is the current intention of the Committee to offer one Matching Share for every Partnership Share acquired.

Corporate Limits

The aggregate number of unissued Shares in respect of which awards may be made under the SIP and any other share scheme adopted by the Company in any rolling ten year period shall not exceed 10% of the ordinary share capital of the Company.

Timing of Awards

Except as otherwise provided, the grant of awards under the SIP will only be made at times permitted by the Model Code contained in the Listing Rules issued by the Financial Services Authority (as amended from time to time) and any code adopted by the Company or order or regulation governing dealing in shares by which the Company is bound that may be issued from time to time.

Non-Transferability of Awards

Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

Restrictions on Shares and Release of Shares

Partnership Shares may be withdrawn from the SIP at any time.

Awards of Free Shares and Matching Shares shall be subject to a period of retention. This period shall be such period as determined by the Committee from time to time, which shall not be less than three years or greater than five years. If an employee leaves the Group prior to the release of Free Shares or Matching Shares then those Shares shall normally be subject to forfeiture unless the Committee determines otherwise. The maximum forfeiture period is three years.

Shares held under the SIP may be subject to other restrictions as determined by the Committee. Dividends received by the Trust may be reinvested.

In the event of a change of control of the Company, in certain circumstances, Shares must be either withdrawn from the SIP or exchanged for shares in the new holding. These new shares will have the same rights and be subject to the same restrictions as the original shares.

Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank pari passu with existing Shares.

Application will be made to the relevant exchange on which the Shares are listed for admission to trading on the relevant exchange for new Shares that are to be issued pursuant to the SIP.

Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to an award may be adjusted in such manner as the Committee determines and the auditors of the Company confirm to be fair and reasonable.

Duration

The Committee may not grant awards under the SIP more than ten years after its adoption.

Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital and the limitations on the number of Shares that may be issued cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the Group.

The Committee may add to, vary or amend the Rules of the SIP by way of a separate schedule in order that the SIP may operate to take account of local legislative and regulatory treatment for Participants or the relevant Group Company, provided that the parameters of these arrangements will provide no greater benefits than the Rules of the SIP as summarised above.

Any amendments to key features of the SIP are subject to the approval of the UK Inland Revenue.

General

Any benefits granted or Shares awarded under the SIP will not be pensionable.

Note:

This Appendix summarise the main features of the SIP but does not form part of them and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Copies of the Rules (which are subject to any amendments to take account of any regulatory requirements) will be available for inspection at the offices of Halliwell Consulting, Floor 7, 75 King William Street, London EC4N 7BE, during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the AGM and at the meeting itself. The Directors reserve the right up to the time of the meeting to make such amendments and additions as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 4.

Appendix 5 Potential Value of the First Awards & Corporate Benefits

General

The tables in this section demonstrate the potential value of the awards granted under the proposed share arrangements and the corporate benefits to the Company and its shareholders using the assumptions regarding share price and profit in the table below:

Item	Share Price Growth	EBITDA Growth*
Median	11%	13%
Upper Quartile	29%	23%

* assumes UK Retail Prices Index growth of 3% p.a.

The tables in this section are based on historical analysis. There is no guarantee that the actual value of awards released or corporate performance will be achieved. The Company is setting out the figures purely to illustrate the relationship between the rewards provided to the Executive Directors and members of the Senior Management and Operating Boards for a given level of performance and the corresponding benefit to the Company and its shareholders.

Corporate Performance

This table models the corporate performance for the first four grants of awards (FY2007 – FY2010):

Position	FY2007 £	FY2008 £	FY2009 £	FY2010 £
Share Price	£	£	£	£
Median	3.30	3.66	4.06	4.51
Upper Quartile	5.17	6.67	8.61	11.11
EBITDA	£m	£m	£m	£m
Median	21.64m	24.46m	27.64m	31.12m
Upper Quartile	27.91m	34.33m	42.23m	51.94m

Note: Share Price based on average closing share prices in December 2003 of £2.41.

Based on the above corporate performance, the potential value of the awards granted under the proposed share arrangements are set out in the table below.

Benefit to Executives

Type of Award	How the benefit is calculated
Options	The total gain arising on the number of options which vest, dependent on the satisfaction of the EPS growth performance condition (measured three years following the date of grant)
LTIP Awards	The total market value of the number of shares which are released to participants, based on the satisfaction of the comparative TSR performance condition (measured three years following the date of award)
ASB Awards	The total market value of Deferred Bonus Shares at the point of release; (measured three years following the date of award)

The benefit tables do not include any element of the compensation package not set out in the table above.

The following points should be considered when looking at the potential value of awards:

- the modelling assumes the level of awards set out above will continue throughout the modelled period which will not necessarily be the case;
- executives will not receive any benefit unless the corporate performance conditions are satisfied and they remain employed at the end of the three year holding periods.

Median

In summary, to receive the median level of benefits modelled, executives will have delivered the following performance over the three year performance periods:

- 11%p.a. share price growth;
- 10%p.a. earnings growth (above UK Retail prices Index); and
- median TSR performance against the Comparators.

Upper Quartile

In summary, to receive the upper quartile benefits modelled, Executives and Senior Employees will have delivered the following performance over the three year performance periods:

- 29%p.a. share price growth;
- 20%p.a. earnings growth (above UK Retail prices Index); and
- upper quartile TSR performance against the Comparators.

In addition, for the benefits to be paid in consecutive years the level of performance must be achieved for each grant.

Position	FY2007 £	FY2008 £	FY2009 £	FY2010 £
Chief Executive				
Median	230,070	304,605	329,244	356,844
Upper Quartile	964,847	1,230,149	1,341,602	1,480,903
Executive Director				
Median	188,931	229,395	249,564	272,242
Upper Quartile	741,010	888,582	979,138	1,093,414
Senior Management Board member				
Median	152,468	177,900	183,237	188,734
Upper Quartile	555,758	641,955	661,214	681,050
Operating Board member				
Median	59,558	79,765	88,802	99,061
Upper Quartile	166,503	217,516	255,991	306,122

Cost of Proposed Arrangements

The following tables set out the costs of the proposed share arrangements (assuming the new accounting treatment for options under FRED31) for the assumptions set out above:

	FY2004 £	FY2005 £	FY2006 £	FY2007 £
P&L Cost				
Median	318,717	1,103,546	1,792,434	1,951,799
Upper Quartile	467,778	2,885,764	4,718,906	5,074,054
Dilutive Cost Cumulative				
Median	1.05%	0.91%	0.87%	0.83%
Upper Quartile	1.04%	0.82%	0.72%	0.64%

The reason the dilution is greater at the median than the upper quartile is because the share price growth at the median is 11% p.a. (with a modelled salary increase of 5% p.a.) whereas the share price growth at the upper quartile is 29% p.a. (with the same salary increase). The Company has calculated the grant policy as a multiple of salary (which for the purpose of this modelling has been fixed), therefore, if the share price is increasing rapidly, in particular in comparison to the rate of annual salary increases, the number of shares required to produce a given face value of an award decreases year on year.

The Company will conform with the ABI dilution limits for share schemes.

Notice of meeting

Notice is hereby given that the Annual General Meeting of lastminute.com plc will be held at Cazenove, 20 Moorgate, London, EC2R 6DA on 4 March 2004 at 10.00am for the following purposes:

Ordinary business

- 1 To receive the report of the directors, the financial statements and the report of the Auditors for the year ended 30 September 2003.
- 2 To receive and approve the directors' remuneration report for the year ended 30 September 2003.
- 3 To elect Clive Jacobs who was appointed a director during the year.
- 4 To elect Agnès Touraine who was appointed a director during the year.
- 5 To elect Sven Boinet who was appointed a director during the year.
- 6 To elect Ian McCaig who was appointed a director during the year.
- 7 To re-elect Allan Leighton as a Director.
- 8 To re-appoint Ernst & Young LLP as Auditors of the Company to hold office until the conclusion of the next General Meeting at which financial statements are laid before the Company and to authorise the Directors to determine their remuneration.

Special Business

To pass as ordinary resolutions the resolutions set out below:

- 9 THAT the lastminute.com plc Annual Share Bonus Plan, the lastminute.com plc Long Term Incentive Plan and the lastminute.com plc Share Incentive Plan (the "Plans"), the principal terms of which are summarised in the letter to shareholders dated 26 January 2004 and the rules of which are produced to the Meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to carry the Plans into effect including the making of any amendments to the rules as they may consider necessary or desirable.
- 10 THAT the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,172,008 provided that this authority shall expire on the date of the next annual general meeting or on 4 June 2005, whichever is the earlier, save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

To pass as a special resolution the resolution set out below:

- 11 THAT subject to the passing of resolution 10, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 10 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited to:
 - (i) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
 - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £150,249 and

shall expire on the date of the next annual general meeting or on 4 June 2005, whichever is the earlier, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Registered Office:

4 Buckingham Gate
London SW1E 6JP

By order of the Board



Simon Watkins

Company Secretary
26 January 2004

Notes:

- 1 A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
- 2 The time by which a person must be entered on the Company's Register of Members in order to attend or vote at the meeting is 6pm on Tuesday 2 March 2004.
- 3 Details of those directors seeking election or re-election are given on pages 14 and 15 of the Annual Report, including membership of the principal committees. The details of the service contracts for the executive directors seeking election or re-election are set out in the Remuneration Report on pages 19 to 23 of the Annual Report.
- 4 Copies of the Directors service contracts and the Register of Directors Interests are available for inspection during normal business hours on any weekday at the Company's Registered Office, and will be available for inspection at the place of the meeting from 15 minutes before the meeting until its conclusion.

Explanatory notes to resolutions:

Resolution 1

The Directors must lay the report of the directors, the financial statements and the report of the Auditors before shareholders at a General Meeting.

Resolution 2

The Directors must put the directors' remuneration report before shareholders at a General Meeting at which the accounts are laid.

Resolutions 3 to 6

Under the Company's articles of association, each Director who was appointed during the year must stand for election at the next Annual General Meeting.

Resolution 7

Under the Company's articles of association, each Director must stand for re-election every third year. The Directors listed fall under these provisions and, being eligible, seek re-election.

Resolution 8

At each General Meeting at which accounts are laid before the members, the Company is required to appoint auditors to stand until the next such meeting. This resolution also authorises the Directors to determine the Auditors remuneration.

Resolution 9

Following a review by the Remuneration Committee of the Company's Executive Director and senior executive remuneration policy, resolution 9 is required for the proposals to adopt the new annual bonus and share incentive plans, details of which are set out in this shareholder circular.

Resolutions 10 and 11

The Companies Act prevents Directors from allotting unissued shares without the authority of shareholders in General Meeting. Most companies seek authority from shareholders at each Annual General Meeting for the Directors to issue further shares subject to certain limits. In resolution 10, the Directors are seeking authority to issue shares representing up to one third of the nominal value of the unissued share capital of the company at the date of the annual report plus shares required to be issued in relation to employee share options subsisting at the date of this notice. There are no current plans to allot shares other than in connection with employee share schemes. Resolution 11 disapplies shareholder pre-emption rights over the allotment of certain shares for cash. The limit of resolution 11 is 5% of the nominal value of the issued share capital as at the date of the annual report.