

LYCOS Europe N.V.

annual report 2009

for the year ended December 31, 2009



key figures

		Year ended December 31, 2009 ¹	Year ended December 31, 2008 (restated) ¹	Change
Revenues	in mln EUR	3.3	22.8	(86) %
EBITDA ²	in mln EUR	(14.0)	(52.0)	73 %
EBIT ²	in mln EUR	(15.4)	(60.7)	75 %
Net profit/(loss)	in mln EUR	11.9	(52.9)	>100 %
Shares (total outstanding) ³	number	312,300,000	312,300,000	0 %
Earnings/loss per share (diluted and undiluted)	in EUR	0.04	(0.17)	>100 %
Share price (Xetra)	in EUR	0.08	0.15	(47) %
Cash, cash equivalents and other investments	in mln EUR	40.1	76.1	(47) %
Cash ratio (Cash, cash equivalents and other investments/total liabilities)	number	2.5	1.6	56 %
Shareholders' equity	in mln EUR	30.5	60.6	(46) %
Equity ratio (Shareholders' equity/total assets)	in percent	65.2	56.0	16 %
Employees ⁴	number	7	507	(99) %

		Three months ended December 31, 2009 (unaudited) ¹	Three months ended December 31, 2008 (unaudited/ restated) ¹	Change
Revenues	in mln EUR	(0.1)	4.8	>(100)%
EBITDA ²	in mln EUR	0.3	(29.2)	>100%
EBIT ²	in mln EUR	0.2	(36.2)	>100%
Net profit / (loss)	in mln EUR	3.7	(35.7)	>100%
Shares (total outstanding) ³	number	312,300,000	312,300,000	0%
Earnings / (loss) per share (diluted and undiluted)	in EUR	0.01	(0.11)	>100%

1 2009 includes the continued business and 2008 has been restated for the effect on income statement of the discontinued operations which do not include Pangora SAS. This entity was reclassified as continued operations in 2009.

2 EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment, EBIT is Earnings Before Interest and Taxes.

3 Including treasury shares.

4 Employee figures are presented on full time equivalent basis.

table of contents

2	Report to the shareholders
2	Message from the CEO
3	Business Development
4	Economic Development
6	Employees
7	Corporate Governance Statement
18	Further Information on Capital Stock and Shareholder Structure
20	In Control Statements
21	Outlook
22	Consolidated Financial Statements
23	LYCOS Europe N.V. Consolidated Statements of Financial Position
24	LYCOS Europe N.V. Consolidated Statements of Comprehensive Income
25	LYCOS Europe N.V. Consolidated Statements of Cash Flows
26	LYCOS Europe N.V. Consolidated Statements of Shareholders' Equity
28	Notes to the Consolidated Financial Statements
74	Company Financial Statements
75	LYCOS Europe N.V. Company Balance Sheets
76	LYCOS Europe N.V. Company Income Statements
76	LYCOS Europe N.V. Statement of Shareholders' Equity
78	Notes to the Company Financial Statements
88	Other Information
89	Independent Auditor's Report
91	Quarterly Financial Information
92	Report of the Supervisory Board
95	Supervisory Board

This report to the shareholders should be read in conjunction with the (consolidated) financial statements and notes thereto. This report contains certain forward-looking statements and information relating to LYCOS Europe based on the beliefs of LYCOS Europe as well as assumptions made by and information currently available to LYCOS Europe. These statements include, but are not limited to, statements about LYCOS Europe's strategies, plans, objectives, expectations, intentions, revenues, expenditures and assumptions as well as other statements contained in this report that are not historical facts. When used in this document, words such as "anticipate", "believe", "estimate", "expect", "intend", "plan" and "project" and similar expressions, as they relate to LYCOS Europe or its management, are intended to identify forward-looking statements. These statements, which reflect LYCOS Europe's current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Investors are cautioned that forward-looking statements contained in this section involve both risk and uncertainty. Several important factors cause actual results to differ materially from those anticipated by these statements.

dear shareholders,

The past business year was dedicated to the implementation of the shutdown plan as it was decided in December 2008.

As such, the disposal of united-domains AG had already been initiated in December 2008. At the beginning of 2009 we received the approval of antitrust authorities and were able to close the sale of united-domains AG which led to a disposal price of EUR 34.1 million of which EUR 7 million was placed into an escrow account.

In addition we sold the following businesses: the news-search Paperball was taken over by Paperball GmbH, Munich. The search engine Fireball was sold to Ambrosia AG, Zug (Switzerland). Trademark and domains of the French Email-Service Caramail were taken over by United Internet AG, Montabaur. Conversis hosting GmbH continued the free hosting service MultiMania. The LYCOS chat – worldbiggestchat.com – was transferred to the new operator Noesis Systems Ltd., Lancashire (Great Britain).

During the course of the year we were able to return the Lycos brand back to the licensor Lycos Inc. (EUR 0.6 million plus 40 percent revenue share for one year) and transferred the intelligent search LYCOS iQ to Hubert Burda Media for an amount of EUR 0.4 million.

At the beginning of October 2009, LYCOS entered into an agreement with a Swedish limited liability company to take over the Swedish subsidiary Yarps Networks AB. The purchase price less shareholders' equity was approximately EUR 2 million.

We successfully terminated the majority of contracts such as sales agreements, marketing agreements and others; 558 of the total of 593 contracts were terminated.

One of the major tasks of the past business year was to find a buyer to take over the shopping unit Pangora GmbH. The search for such a buyer took much more time and effort than originally expected. After long lasting negotiations with several potential buyers LYCOS found a buyer (Affiliate Company of Become, Inc.) for the shopping unit finally. This important transaction was closed by the end of October 2009.

At the annual general meeting in Amsterdam long-time CEO Christoph Mohn resigned. Considering the limited scope of the further activities of the Company, the size of the supervisory board was reduced from previous six to now four members.

As the shutdown process continued we announced the delisting of LYCOS Europe shares from NYSE Euronext Paris.

Two capital repayments totaling EUR 42.5 million were distributed to our shareholders. In May stock owners received EUR 0.1123 per share as well as EUR 0.024 per share in December 2009. Taking into consideration last year's capital repayment to this day a total of EUR 92.5 million has been distributed to our shareholders.

The months to come will be focused on moving forward with the shutdown process.

Thank you for your trust and support.

Dr. Fred Wilsdorf
Chief Executive Officer

business development

With the strategic decision to sell business units and discontinue all products and services except for the shopping business, LYCOS iQ (intelligent search) and LYCOS Search were terminated by February 2009. Remaining products and services were disposed throughout the year. At about the same time a social compensation plan and a so-called balance of interest (Interessenausgleich) for the employees in Germany was set up and executed.

As a result LYCOS Europe did not offer any additional revenue contributing products or services after the first half of the financial year.

The company focused on moving forward the liquidation process by selling businesses and shutting down offices and subsidiaries.

Sale of other licenses, products and services

united-domains

Antitrust authorities approved the sale of united-domains AG to United Internet AG on January 30, 2009. The final purchase price was EUR 34.1 million. The purchase price was completely paid in cash. EUR 7 million of the purchase price were placed into an escrow account as a security for possible obligations that might arise from the sale. The escrow account will be released in five installments ending 2014. The de-recognition of all assets and liabilities of united-domains AG was effective February 28, 2009 and led to a gain on disposal of EUR 27.2 million which is shown in the result of discontinued operations.

Shopping

The shopping business was the only business unit that was active until the disposal of Pangora GmbH.

After long lasting negotiations with several potential buyers LYCOS found a buyer (Affiliate Company of Become, Inc.) for the shopping unit in October 2009. The transaction was closed by the end of October 2009.

Others

The newssearch Paperball was taken over by Paperball GmbH, Munich. The search engine Fireball was sold to Ambrosia AG, Zug (Switzerland). Trademark and domains of the French Email-Service Caramail were taken over by United Internet AG, Montabaur. Conversis hosting GmbH continued the free hosting service MultiMania. The LYCOS chat – worldbiggestchat.com – was transferred to the new operator Noesis Systems Ltd., Lancashire (Great Britain).

The intelligent search LYCOS iQ was transferred to Hubert Burda Media for an amount of EUR 0.4 million which was also the gain recorded on the transaction.

In addition an agreement was entered with Lycos Inc. to return the licensed brands (LYCOS, Tripod, Angelfire and Hotbot) to Lycos Inc. for an amount of EUR 0.6 million (USD 0.8 million), plus 40 percent revenue share for one year.

At the beginning of October 2009 LYCOS entered into an agreement with a Swedish limited liability company to take over the Swedish subsidiary Yarps Networks AB. The purchase price less shareholders' equity was approximately EUR 2 million, which was also the gain on the transaction.

Liquidation process

Pangora LLC (USA, Delaware), Jubii LLC (USA, Delaware), Jubii Services Ltd. (UK), Jubii IP Ltd. (UK) have already been liquidated in 2009.

economic development

General market trends did not affect LYCOS Europe's operations as all products and services except for Shopping, LYCOS iQ and Search have been terminated in February 2009 as a consequence of the strategic decision made in December 2008.

The unsecure global general market development may have had an impact on the sales prices achieved for different business such as LYCOS iQ and Pangora though. It seems likely that higher prices could have been achieved in a more stable economic environment. Also the search for a potential buyer to take over the shopping business (Pangora GmbH) may have been negatively affected by the insecure market environment in the period under review.

The following result analysis, balance sheet analysis and cash flow analysis is highly affected by the decision to sell the LYCOS domains, the Danish portal and the shopping activities and to discontinue the European portal and webhosting activities.

The major effect which was caused by the aforementioned development could be summarized as follows:

Assets, liabilities, revenues and costs as well as cash-flows which relate to discontinuing operations are separately presented in the balance sheets, income- and cash-flow-statements according to IFRS 5.

Furthermore the company made capital repayments of EUR 42.5 million in 2009 which were charged to the premium reserve.

Result analysis

Revenues

LYCOS Europe's revenues for the year ended December 31, 2009 amounted to EUR 3.3 million, which is a decrease of 86 percent compared to the restated revenues of EUR 22.8 million for the year ended December 31, 2008.

Following the strategic decision to sell certain business units and discontinue others all revenue creating products and services were terminated successively starting in February 2009. Against the background of this development the significant drop of revenues is easily comprehensible.

Advertising revenues dropped by 99 percent or EUR 11.8 million. Revenues from paid services and shopping decreased by 83 percent or EUR 8.0 million. Paid services and shopping contributed 50.1 percent, advertising 1.6 percent and other revenues 48.3 percent to LYCOS Europe's total revenues in the year ended December 31, 2009.

Revenues generated by LYCOS Europe in the fourth quarter of 2009 amounted to EUR (0.1) million, which is a decrease of more than 100 percent compared to the reference period in 2008. This was mainly caused

the termination or disposal of all products and services starting in February 2009. Additionally credit items were granted and led to a negative revenue figure. Advertising revenues dropped by 52 percent equaling EUR 3.1 million. Paid services and shopping revenues decreased by 43 percent compared to the three months ended December 31, 2008.

EBITDA

During 2009 the EBITDA of EUR (14.0) million improved by EUR 38.0 million compared to the same period in 2008 (EUR (52.0) million).

The gross loss of EUR (0.7) million for the year ended December 31, 2009 decreased by more than 100 percent compared to the reference period in 2008 EUR 10.4 million. Total cost of revenues decreased by 68 percent to EUR (4.0) million.

Total operating expenses were reduced to EUR (15.6) million compared to EUR (71.4) million in the previous year.

Ordinary sales and marketing expenses decreased by EUR 14.2 million during the year ended December 31, 2009. Ordinary research and development costs decreased by EUR 6.3 million comparing the year 2009 to 2008. Ordinary general and administration expenses decreased by EUR 4.3 million.

Mainly due to the release of accruals the EBITDA of EUR 0.3 million in the fourth quarter 2009 increased significantly compared to the EBITDA of EUR (29.2) million in the prior year.

Financial result

The net finance income was EUR 2.9 million compared to EUR 9.2 million for the year ended December 31, 2008. The decrease was mainly caused by the lowered interest income as a result of lower interest rates.

Net result

The above results in a net profit of EUR 11.9 million for the year ended December 31, 2009 compared to a net loss of EUR (52.9) million in the prior year (restated).

In line with the development of the net results the earnings per share amounted to EUR 0.04 for the financial year 2009 compared to a loss per share of EUR (0.17) for the reference period in 2008.

Balance sheet analysis

Total assets decreased from EUR 108.2 million as at December 31, 2008 to EUR 46.8 million as at December 31, 2009. Cash, cash equivalents and other investments decreased to EUR 40.1 million as at December 31, 2009 compared to EUR 76.1 million as at December 31, 2008 mainly affected by the two capital repayments of a total EUR 42.5 million.

Property, plant and equipment and intangible assets excluding goodwill decreased to EUR 0.0 million as at December 31, 2009.

Total liabilities as at December 31, 2009 decreased to EUR 16.3 million compared to EUR 47.6 million as at December 31, 2008.

The above leads to a cash ratio of 2.5 (cash, cash equivalents and other investments divided by total liabilities) compared to a cash ratio of 1.6 at December 31, 2008.

Cash flow analysis

The consolidated cash flow statements comprise of movements in cash and cash equivalents with an original maturity below three months. Other investments are classified as short term (original maturity 3-12 months) and long term other investments (original maturity above 12 months) in the balance sheet.

Cash and cash equivalents decreased by EUR 25.8 million to EUR 37.7 million during the year ended December 31, 2009. An amount of EUR (42.5) million was used for two capital repayments which were charged to the premium reserve.

employees

At the end of the business year 2009 only 7 employees remain in LYCOS Europe. This compares to 507 employees at the end of 2008.

The majority of the employment contracts for Germany were canceled and terminated according to the social plan and corresponding balance of interest (Interessenausgleich: agreement between employer and workers' council regarding the organization of the restructuring plans) in February 2009. Most of the employees left the company by April 1, 2009.

In the second half of 2009 only a small team of employees, mainly working in the legal and accounting department, are completing the shutdown process.

In France the negotiations with the workers' council started in February and were completed in April 2009. The following month the majority of the employees left the company and received a compensation payment. Two of the 23 employees filed a lawsuit which led to a slightly higher compensation for these two employees. In France special regulations for members of the workers council apply. In September 2009, after long lasting negotiations, an agreement was closed with the 3 remaining members of the French workers' council.

The majority of the employees working for LYCOS UK left the company by the end of March 2009 after individual compensation with each member of the staff was agreed upon. Two employees took care of a proper shutdown process and left the company in July 2009.

The employment contracts of the Armenian personnel were terminated in February 2009. To ensure a proper winding down the last remaining employee left the Armenian branch by the middle of September 2009.

corporate governance statement

LYCOS Europe endorses the importance of good corporate governance, which is understood to include honest and transparent acting on the part of management, correct supervision of this corporate governance and accepting responsibility for the supervision carried out. This section of the Company's annual report provides an outline of its corporate governance structure. LYCOS Europe applies the Dutch Corporate Governance Code to most points. Deviations are specifically discussed and explained in the subsection entitled "Deviations from the Dutch Corporate Governance Code" below.

LYCOS Europe's Management Board and Supervisory Board are responsible for weighing up the interests of the Company's customers, suppliers and employees among with interests of the shareholders.

The corporate governance principles LYCOS Europe employs are anchored in the Company's Articles of Association, the By-Laws of its Management Board, the By-Laws of its Supervisory Board and other documents. LYCOS Europe has a written code of business principles and a written whistleblowing policy. All of said documents and other information that LYCOS Europe is required to publish or deposit pursuant to provisions of company law and securities law applicable to the Company are posted on a separate corporate governance section on the Company's corporate information portal.

During the Company's 2005 Annual General Meeting of Shareholders its corporate governance policy has been discussed and its Management Board and Supervisory Board have given account accordingly. Substantial future changes to LYCOS Europe's corporate governance structure, if any, will be submitted to the General Meeting of Shareholders for discussion.

Management Board

Role and procedure

Management responsibilities

The management responsibility is vested in the Company's Management Board. This includes among other things responsibility for determining and achieving the Company's objectives, strategy and policies and the development of results. LYCOS Europe's Management Board reports on these matters to its Supervisory Board and to the General Meeting of Shareholders. In discharging its role, LYCOS Europe's Management Board focuses on the Company's interests taking into consideration the interests of its stakeholders. LYCOS Europe's Management Board provides its Supervisory Board with all the information necessary for the exercise of its duties in a timely fashion.

LYCOS Europe's Management Board is responsible for complying with all relevant legislation and regulations, managing the risks associated with the Company's activities and its financing. The Management Board reports on these matters to the Supervisory Board and until its dissolution in May 28, 2009 to the Audit Committee and discusses the internal risk management and control systems with these bodies.

Decision making process with regard to the removal of Management Board

Members of the Management Board can be removed by the general meeting of shareholders by a resolution adopted with a majority of at least two-thirds of the votes cast representing at least fifty percent of the issued capital. Unless such proposal has been made by the Supervisory Board or - as the case may be - the meeting of shareholders of the class entitled to draw up the binding nomination upon the appointment of the Management Board member concerned.

Authorisation of the Management Board to repurchase shares

The Management Board – subject to the approval of the Supervisory Board – has been authorised by the General Meeting of Shareholders to repurchase up to 50 % of the Company's issued share capital on behalf of the Company for a period of 18 months as of May 28, 2009 against a repurchase price between, on the one hand, the nominal value of the shares concerned and, on the other hand, an amount of 110 % of the highest price of the class B shares officially quoted on any of the official stock markets the Company is listed on any of thirty banking days preceding the date the repurchase is effected or proposed.

Composition and appointment

Mr Fred Wilsdorf, the Company's Chief Executive Officer ("CEO"), currently is the sole member of the Management Board. He has been appointed for an indefinite period of time and LYCOS Europe is of the opinion that this cannot be changed unilaterally by the Company into a fixed-term position.

Pursuant to the Company's Articles of Association LYCOS Europe's Management Board must consist of one, two or three members who are appointed by the Company's

General Meeting of Shareholders. The meeting of holders of LYCOS Europe's class AB shares has the right to make a binding nomination for filling one seat on the Company's Management Board. The person appointed in this seat is referred to as a managing director AB. Fred Wilsdorf is a managing director AB. The meeting of holders of LYCOS Europe's class AA shares may determine that a second Management Board member must be appointed and if so determined, it will have the right to make a binding nomination with respect to the second seat. The person appointed in that seat would be referred to as a managing director AA. If the meeting of holders of class AA shares has determined that there must be a managing director AA, the meeting of holders of class AB shares may determine that the Management Board shall consist of three managing directors. In that case, the third managing director will neither be a managing director AA nor a managing director AB and in respect of this seat no binding nomination rights exist. A nomination for appointment of a managing director AA or AB prepared by the shareholders of the relevant class will be binding if consisting of at least two candidates. The General Meeting of Shareholders can override the binding nature of such nomination only by a two-thirds majority representing more than one-half of the Company's issued share capital.

LYCOS Europe's Management Board has not appointed a Chief Financial Officer ("CFO"). However, Fred Wilsdorf, the current CEO, is the former CFO of LYCOS Europe. In the light of the shutdown process of the Company and the expertise of Mr Wilsdorf the Company decided against increasing the size of the Management Board.

Remuneration

Amount and composition of the remuneration

LYCOS Europe places a high importance on attracting and retaining qualified directors and personnel, whilst

safeguarding and promoting the Company's medium- and long-term interests. The Remuneration Policy for members of the Company's Management Board is reflective thereof. Before the strategic decision which was taken in 2008 the Remuneration Policy was designed to support LYCOS Europe's strategy for value creation and shareholder alignment. Now the Policy is to be interpreted in the light of the shutdown process. For the benefit of the stakeholders the main goals are now optimizing the utilization of the assets of the company as well as the cost efficiency of the shutdown process. The cornerstones of this interpretation have been summarized in the Annex Remuneration Policy which is also available on the corporate information portal of the Company.

The Remuneration Policy for the members of LYCOS Europe's Management Board includes fixed and variable components.

An overview of the remuneration of Christoph Mohn, who was LYCOS Europe's sole Management Board member until May 28, 2009, can be found on page 85. An overview of the remuneration of Mr Fred Wilsdorf, who succeeded Mr Mohn and who is currently LYCOS Europe's sole Management Board member, can be found on page 85.

Determination and disclosure of remuneration

LYCOS Europe's current Remuneration Policy that has been discussed and adopted by its 2005 Annual General Meeting of Shareholders. It can be found on the Company's corporate information portal as well as the Annex Remuneration Policy in which the cornerstones of interpretation in the light of shutdown process has been summarized. Subsequently, every material amendment to the Remuneration Policy will also be submitted to the General Meeting of Shareholders.

Conflicts of interest

Any member of LYCOS Europe's Management Board is required to immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company or to the member of the Management Board to the Chairman of the Supervisory Board. Where the Supervisory Board decides that a particular transaction must be treated as a transaction in which a Management Board member has a conflict of interest, it shall also decide on the internal decision-making process to be followed in respect thereof. All transactions in which there are conflicts of interest with a Management Board member are agreed on arm's length conditions. Decisions to engage in transactions in which conflicting interests of a Management Board member are involved, which are of material significance to LYCOS Europe and/or to the Management Board member require the approval of the Supervisory Board. In the event of a conflict of interest between LYCOS Europe and a Management Board member, the Company shall be represented by the person or persons designated for such purpose by the Supervisory Board (which may but need not be the Management Board member concerned), save when one or more other persons were previously designated by the General Meeting of Shareholders for that purpose.

Supervisory Board

Tasks and procedure

LYCOS Europe's Supervisory Board's responsibility is to supervise the policy of the Company's Management Board and the general affairs of LYCOS Europe and its business as well as to assist the Company's Management Board by providing advice. In doing so, the Supervisory

Board is guided by the Company's interests and takes into account the relevant interests of its stakeholders. The Supervisory Board is responsible for the quality of its own functioning.

Decision making process with regard to the removal of Supervisory Board

Members of the Supervisory Board can be removed by the general meeting of shareholders by a resolution adopted with a majority of at least two-thirds of the votes cast representing at least fifty percent of the issued capital, unless the proposal is concerned has been made by the meeting of shareholders of the class entitled to draw up the binding nomination upon the appointment of the Supervisory Board member concerned.

Independence

Composition and appointment

The members of the Supervisory Board are appointed by the General Meeting of Shareholders for a period of four years. As a general rule, LYCOS Europe's Supervisory Board members may serve a maximum of three terms of four years on the Supervisory Board.

Until May 28, 2009 LYCOS Europe's Supervisory Board consisted of six members, being three supervisory directors AA and three supervisory directors AB. As of May 28, 2009 LYCOS Europe's Supervisory Board consisted of four members, being two supervisory directors AA and two supervisory directors AB.

The meeting of holders of the Company's class AA shares have the right to make binding nominations for the appointment of supervisory directors AA and the meeting of holders of the Company's class AB shares

have the right to make binding nominations for the appointment of supervisory directors AB. A nomination for appointment of a supervisory director AA or AB made up by the shareholders of the relevant class will be binding if consisting of at least two candidates. The General Meeting of Shareholders can override the binding nature of such nomination only by a two-thirds majority representing more than one-half of the issued share capital.

The expertise and composition requirements of LYCOS Europe's Supervisory Board are being set out in the Supervisory Board Director Profile which is annexed to the By-Laws of the Company's Supervisory Board. The Supervisory Board is responsible for promoting, within the limits of its powers, that the size of LYCOS Europe's Supervisory Board is at all times such that the Supervisory Board as a whole can perform its duties effectively and responsibly and that each individual member of the Company's Supervisory Board is able to make a contribution by his or her specific qualities.

The composition of LYCOS Europe's Supervisory Board is such that its members can act critically and independently of one another, and of the management and any particular interest, acknowledging, however, that under the Company's Articles of Association the meeting of holders of its class AA shares and the meeting of holders of its class AB shares have special nomination rights with respect to the appointment of Supervisory Board members and provided that LYCOS Europe does bear certain characteristics of a joint venture between the holders of its class AA and AB shares justifying that the Company's Supervisory Board members are selected from persons occupying functions (as a director, officer or otherwise) with a holder of class AA or AB shares or parties related thereto.

Under the criteria of the Dutch Corporate Governance Code, as of May 28, 2009 none of the current LYCOS Europe's Supervisory Board members qualify as independent. Messrs., Rovira de Ossó and García-Alarcón Altamirano, who are LYCOS Europe's supervisory directors AA, are not independent as they are directors or officers of Telefónica SA or its affiliates, which is the parent of the Company that owns LYCOS Europe's class AA shares, representing over 10 percent of the Company's share capital. Mr. Richter, one of LYCOS Europe's supervisory directors AB and the Chairman of the Supervisory Board, was formerly employed with and has a business relationship with Bertelsmann AG, which is the parent of the majority holder of LYCOS Europe's class AB shares, representing over 10 percent of the Company's share capital. Mr Richter resigned from his office effective January 1, 2010. Mr. Caumanns, who has been appointed supervisory director as from 1 January 2010 and who is a supervisory director AB, and Mr. Dannhoff, who is a supervisory director AB and who is the chairman of the Supervisory Board since 1 January 2010, are also employed by Bertelsmann AG.

Role of the Chairman of the Supervisory Board and the Company Secretary

The Chairman and Vice Chairman (if any) of LYCOS Europe's Supervisory Board are appointed by the meeting of holders of the Company's class AB shares. The Chairman is not a former member of the Management Board.

The duties of the Chairman of LYCOS Europe's Supervisory Board include preparing the agenda and chairing Supervisory Board meetings, monitoring the satisfactory functioning of the Supervisory Board and its Committees, arranging the adequate provision of information to the Supervisory Board members, ensuring that there is sufficient time for making decisions, being the main

contact point on behalf of the Supervisory Board for the Management Board, initiating the evaluation of the functioning of the Supervisory Board and the Management Board and as Chairman ensuring the orderly and efficient conduct of General Meetings of Shareholders. The Chairman of the Supervisory Board is assisted by the Company Secretary who is as such also the Secretary of the Supervisory Board.

Composition and role of the Committees of the Supervisory Board

Until May 28, 2009

Without prejudice to its own responsibility, LYCOS Europe's Supervisory Board had established an Audit Committee and a Remuneration Committee, each consisting of three members of the Supervisory Board. The task of these Committees primarily was to prepare the decision-making of the Supervisory Board.

Audit Committee

The purpose of the Audit Committee was to assist LYCOS Europe's Supervisory Board on the execution of its supervisory responsibility concerning among other things the Company's policy and procedures in the area of financial administration and financial reporting and internal control systems, the integrity of the financial reports and the evaluation and independence of the Company's external auditor.

The Audit Committee had to decide if and when LYCOS Europe's CEO, its CFO and/or its external auditor had to attend its meetings. In addition, independent experts could be invited to attend meetings of the Audit Committee. Each member of the Supervisory Board was allowed to attend meetings of the Audit Committee. The Audit Committee could have required any of LYCOS Europe's officers or employees, its external legal advisers or its external auditor to attend a meeting of the Audit

Committee or to consult with members or advisers of the Audit Committee. When need arised, the external auditor could have requested the Chairman of the Audit Committee to be allowed to attend a meeting of the Audit Committee.

Remuneration Committee

The purpose of the Remuneration Committee was to assist LYCOS Europe's Supervisory Board with, among other things, resolving on the compensation of the CEO and the proposal for and regular review of the remuneration policy.

Situation as of May 28, 2009

Due to its reduced size as of May 28, 2009 LYCOS Europe's Supervisory Board has decided against establishing any Committees for the time being.

Conflicts of interests

Any member of LYCOS Europe's Supervisory Board is required to immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company or to the member of the Supervisory Board concerned to the Chairman of the Supervisory Board. Where the Supervisory Board decides that a particular transaction must be treated as a transaction in which a Supervisory Board member has a conflict of interest, it will also decide on the internal decision-making process to be followed in respect thereof. All transactions in which there are conflicts of interest with a Supervisory Board member are agreed on arm's length conditions. Decisions to engage in transactions in which conflicting interests of a Supervisory Board member are involved, which are of material significance to LYCOS Europe and/or to the Supervisory Board member concerned require the approval of the Company's Supervisory Board.

LYCOS Europe's Supervisory Board is also responsible for decision-making concerning the handling of conflicts of interest of members of the Management Board, large shareholders and the external auditor in relation to the Company.

Acknowledging that none of the current Supervisory Board Directors are currently independent subject to the criteria of the Dutch Corporate Governance Code LYCOS Europe's Supervisory Board closely monitors the Company's dealings with Telefónica SA, Bertelsmann AG and their respective affiliates.

Remuneration

The remuneration of the members of the Supervisory Board, if any, is determined by the General Meeting of Shareholders. No shares and/or rights to shares in LYCOS Europe's capital are granted to Supervisory Board members by way of remuneration.

The shareholders and the general meeting of shareholders

Powers

Good corporate governance assumes full participation of shareholders in the decision-making process in the General Meeting of Shareholders. It is in the Company's interest that as many shareholders as possible participate in the decision-making process in the General Meeting of Shareholders and that the General Meeting of Shareholders plays a full role in the system of LYCOS Europe's "checks and balances".

The most important powers of LYCOS Europe's General Meeting of Shareholders are:

- adoption of the Company's Dutch statutory annual accounts;

- granting release from liability to the Company's Management Board and Supervisory Board members;
- appointment, suspension and removal of the Company's Management Board and Supervisory Board members;
- adoption of a policy on remuneration of the Company's Management Board members and determination of the remuneration of its Supervisory Board members;
- appointment and removal of the external auditor;
- approval of decisions of the Company's Management Board on significant changes to LYCOS Europe's identity or character (within the meaning of those terms under Section 2:107a of the Dutch Civil Code) or the identity or character of LYCOS Europe's business, in any case concerning the transfer of (nearly) the Company's entire business, the entering into or terminating of joint ventures which are of fundamental importance to LYCOS Europe and the acquiring or disposing of participations the value of which equals or exceeds one third of the sum of the Company's assets according to its latest adopted consolidated balance sheet;
- delegation to the Company's Management Board of the power to issue shares in the Company's capital, it being understood that the exercise of such delegated power by the Management Board is subject to approval by the Supervisory Board;
- authorization of the Company's Management Board to make LYCOS Europe repurchase shares in its own capital, it being understood that upon authorization the exercise of such power by the Management Board is subject to approval by the Supervisory Board; and
- approval of any amendments to the Company's Articles of Association.

Furthermore, any substantial modification to LYCOS Europe's corporate governance structure will be presented to the General Meeting of Shareholders for discussion.

The right to place an item on the agenda

Shareholders who pursuant to the law are entitled thereto, shall have the right to request to the Management Board or the Supervisory Board that items be placed on the agenda of the General Meeting of Shareholders. These requests will be honored by the Management Board or the Supervisory Board under the conditions: (1) that important company interests do not dictate otherwise; and (2) that the request is received by the CEO or the Chairman of the Supervisory Board in writing at least 60 days before the date of the General Meeting of Shareholders.

Provision of information

LYCOS Europe informs all shareholders and other parties within the financial market equally and simultaneously about affairs that could influence the share price. The contacts between the Management Board on the one hand and the press, financial analysts and individual investors on the other hand are carefully handled and structured and LYCOS Europe does not carry out any dealings that affect the independence of the analysts with regard to the Company and vice versa.

LYCOS Europe's Management Board and Supervisory Board must provide the General Meeting of Shareholders with all relevant information that it needs for the exercise of its powers. If, during a General Meeting of Shareholders, information that could affect the share price is provided or answering shareholders' questions leads to such sensitive information being provided, this information shall be made public immediately.

Decision making process with regard to an amendment of the Articles of Association

The general meeting may only resolve to amend the articles of association by at least two-thirds of the votes cast, unless the proposal concerned has been made by the combined meeting of the holders of AA shares and AB shares, in which case a simple majority will be sufficient.

Risk Management

In the period under review LYCOS Europe adapted its formerly comprehensive and effective risk management to the new company situation (liquidation process). The risk management as it was applied until February 2009 has been described in the annual report 2008. Please refer to this report to get more detailed information.

After the step by step termination of all products and services the risk situation remarkably changed. Therefore LYCOS Europe's risk management was adjusted accordingly. The fact that the company ceased its operations and is no longer in competition to other service providers but being wound up made certain risk precautions dispensable.

Still the aim of the risk management applied is to identify, monitor and control potential risks early on. The system is also designed to actively counteract any risks that manifest themselves.

The risk management in the year under review outlined below was based on the assumption that business operations would continue. Even though the company is being wound up it will presumably exist until 2014.

Risk management and internal control are core business responsibilities and an integral part of company management. The management board ensures the company's

compliance with all relevant legislation and regulations. It reports to the supervisory board on the internal risk management and control systems as well as significant changes or planned improvements to these systems and is responsible for these systems. The system of risk management and internal control covers not only the financial controls that are essential for proper and timely reporting on the financial condition of the group but also all other operations of importance in achieving the business objectives of LYCOS Europe.

With this program, LYCOS Europe systematically compiles significant risks that could affect the company. These risks are then quantified and assessed, their ramifications are documented and measures are determined to confront these risks. In addition, certain employees are assigned responsibility for specific and general risks. They are accountable for monitoring potential risks and ensuring that the agreed measures are implemented.

The following is a list of key risks or areas of risk among the identified basic risks to which the company is exposed from a current perspective.

Legal Regulations/Litigation

LYCOS Europe is exposed to several risks related to legal regulations and litigation. Such as data protection rules, contracts, licenses and the misuse of internal information. Beyond that LYCOS Europe has to be prepared for several risks related to the liquidation process. These risks mainly contain lawsuits and compensation claims from former employees and business partners.

For this reason, even during the shutdown process the company maintains a legal department to identify, minimize and ideally avoid these and similar risks early on.

Financial Risks

Since the company no longer creates noteworthy revenues risks in the performance of financial instruments could potentially harm the company. Financial instruments consist primarily of cash, cash equivalents, investments and accounts receivable. The company's main objective is to ensure the safety of these investments until their maturity date. These risks are counteracted by selecting business partners with a good credit rating and holding the cash equivalents and deposits mainly with German banks, which are regularly monitored for full coverage by the depositor's guarantee fund ("Einlagersicherung"). In light of the ongoing financial crisis, the monitoring cycles have been shortened to allow an even quicker response to changes in the risk structure.

Finance

The finance department is in charge of reviewing the authorization processes for each bank account of the group and its still operating subsidiaries. Each payment requires verification by a second employee. Monthly cash planning and reporting by the finance department together with the finance departments of the subsidiaries provides management with the necessary information to control the cash position of the group. A cash pooling system regularly transfers incoming cash from the subsidiaries to centrally managed accounts. Management also receives a monthly review and report of the group's accounts receivable.

Employees

There is a certain risk that the remaining staff does not have the specific knowledge to meet legal requirements in the Netherland, Germany or France. Besides the fluctuation and termination of employment contracts may result in the loss of required know how during the liquidation process.

These procedures are regularly evaluated and expanded to accommodate new requirements.

The audit of the financial reporting and the position of the external auditor

Financial reporting

LYCOS Europe's Management Board is responsible for the quality and completeness of the financial information that is made public. The Company's Supervisory Board must see to it that the Management Board fulfils this responsibility.

Role, appointment, remuneration and assessment of the functioning of the external auditor

LYCOS Europe's external auditor is appointed by the Company's General Meeting of Shareholders each year to audit the annual accounts for the then-current financial year. A nomination for appointment is made by LYCOS Europe's Supervisory Board. The remuneration for the external auditor will forthwith be approved by LYCOS Europe's Supervisory Board after consultation with the Management Board. Besides the annual assessment, the Management Board and the Supervisory Board have thoroughly assessed the external auditor in 2005. Their conclusions were satisfactory and discussed in the Supervisory Board.

Relationship and communication of the external auditor with LYCOS Europe's corporate bodies

The external auditor shall in any event attend the meetings of each of the Supervisory Board once a year. The external auditor reports his findings concerning the audit of the financial statements to the Management Board and the Supervisory Board.

Deviations from the Dutch Corporate Governance Code

As indicated above, LYCOS Europe endorses the importance of good corporate governance and applies the Dutch Corporate Governance Code to most points. Deviation from certain code provisions follows from or is justified by specific aspects of LYCOS Europe's legal structure, shareholder structure, business and other circumstances, including but not limited to the following aspects in which LYCOS Europe differs from most other Dutch listed companies: (i) LYCOS Europe was founded and in certain respects still operates as a joint venture company between two (groups of) large shareholders; and (ii) LYCOS Europe is a company whose registered office is in the Netherlands, but (part of) whose shares are solely listed in the German General Standard, and not on any Dutch stock exchange. As a consequence of the latter LYCOS Europe believes there are instances where non-compliance with code provisions specific to the Dutch environment is justified.

Below is an overview of the matters where LYCOS Europe deviates from the best practice provisions of the Dutch Corporate Governance Code (numbers in brackets below refer to the numbers of the relevant code provisions):

- LYCOS Europe's current CEO, Mr Fred Wilsdorf, has been appointed for an indefinite period of time and the Company believes this cannot be unilaterally changed. Due to the strategic decision which has been taken in 2008 the variable part of Mr Fred Wilsdorf's remuneration for 2009 has not contained a long-term incentive. Further details can be taken from the Annex Remuneration Policy which is also available on the corporate information portal of the Company. Any termination payments will be subject to German law, regulation and practice on termination of employment contracts. (II.1.1; II.2; II.2.7)
- In the event of conflicts of interest between LYCOS Europe and members of its Management Board or Supervisory Board, the Company's Supervisory Board will decide on the internal decision-making process to be followed in respect thereof. This does not necessarily mean that the relevant board member will be excluded from taking part in a discussion and/or decision-making on the relevant subject. Also, LYCOS Europe does not acknowledge that transactions with Bertelsmann or Telefónica or their respective affiliates that are of minor importance to LYCOS Europe must per se be treated as transactions involving conflicts of interests. (II.3.2; II.3.3; III.6.1; III.6.2)

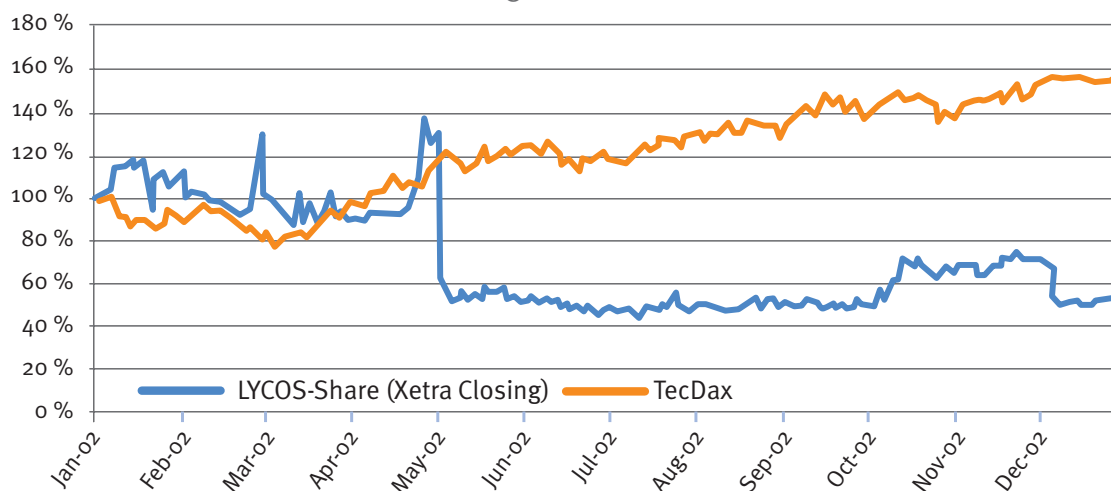
- All of LYCOS Europe's Supervisory Board members occupy functions (as a director, officer or otherwise) or are otherwise engaged with a holder of class AA or AB shares or parties related thereto. Accordingly the Supervisory Board members do not qualify as "independent" within the meaning of the relevant code provisions; however, otherwise the Supervisory Board members meet all criteria for independence set forth in the relevant code provisions (III.2.1; III.2.2; III.3.2; III.5.1; III.5.7)
- Nominations for appointments to LYCOS Europe's Management Board and Supervisory Board are made by the holders of the Company's class AA shares or the holders of its class AB shares. Under the Company's Articles of Association, said classes of shareholders hold the power to make up binding nominations with respect to managing and supervisory directors AA and AB respectively, as discussed in the above subsections of this report in more detail. LYCOS Europe's Supervisory Board is not charged with making such nominations and has not established a nominations committee. (III.5; III.5.13; IV.1.1)
- LYCOS Europe does not require its Management Board and Supervisory Board members to give periodic notice to the Company of changes in their holdings in securities in Dutch listed companies. LYCOS Europe believes the relevant code provisions to be quite specific to the Netherlands and that deviation is justified by the Company's international character. (II.2.6; III.7.3)

- LYCOS Europe does not have an internal auditor function of its own which the Company believes is justified given the size and complexity of its business and the duties and involvement of its external auditors. (V.3.1)

None of the Supervisory Board members is designated as such as a "financial expert" within the meaning of that term under the Dutch Corporate Governance Code. The Supervisory Board does believe however that the expertise of its members is sufficient for the Supervisory Board to discharge its supervisory duties in financial and audit-related matters. (III.5.7)

In addition, certain of LYCOS Europe's policies deviate from the formal text of specific provisions of the Dutch Corporate Governance Code where the Company does believe, however, that its policies are in conformity with the spirit of such code provisions. Those differences are apparent from textual differences between certain provisions in the By-Laws of LYCOS Europe's Management Board and Supervisory Board on the one hand and best practice provisions in the Dutch Corporate Governance Code on the other. In the case of such differences, the text of said By-Laws and Terms of Reference prevails. LYCOS Europe believes such differences do not require any further explanation in this annual report and such differences are not further discussed herein.

LYCOS-Share (Xetra Closing) vs. TecDax in 2009



Further information on Capital stock and Shareholder Structure

In 2009 many stock markets clearly reflected insecurity concerning future economic development still. Nevertheless the national and international stock exchanges managed to recover in 2009.

Having started at 4973.07 at the beginning of 2009 the German DAX won 20 percent to 5957.43 points. Even better was the development of TecDax (plus 56 percent) and SDax (plus 25 percent).

The LYCOS Europe share could not participate on this recovery as the company is being liquidated.

The top share price of EUR 0.20 in the period under review was reached on April 29, 2009. The lowest notation was on July 14, 2009 at EUR 0.065. By the end of 2009 the share price was EUR 0.077.

The significant drops of the share price in May and December were mainly caused by the listing as “ex-share

premium” right after the two capital repayments that were executed in 2009.

HSBC Trinkaus & Burkhardt served as the designated sponsor in 2009.

Change of Segments at German Stock Exchange

LYCOS Europe’s change of segments at the German stock exchange became effective on June 11, 2009. Since then LYCOS Europe is listed in the General Standard.

Delisting from NYSE Euronext Paris

LYCOS Europe is forced to reduce administrative efforts and costs while the liquidation process proceeds. Therefore the company announced in July 2009 that it strives for a delisting at the French stock exchange NYSE Euronext Paris. The delisting was effective on January 4, 2010.

LYCOS Europe shares remain listed at the German stock exchange for the time being. So French shareholders are given the opportunity to trade their shares at German stock exchange or electronic exchange system (XETRA).

Capital Repayments

Following a proposal of the Management Board the Supervisory Board resolved a second capital repayment of approximately EUR 35 million in May 2009. This equals EUR 0.1123 per share.

A further capital repayment of approximately EUR 7.5 million was distributed in December 2009 equaling EUR 0.024 per share.

1/2–12/30/2009		
LYCOS share*	%	-48
TecDax	%	+56
Highest rate (April 29, 2009)	EUR	0.20
Lowest rate (July 14, 2009)*	EUR	0.065
Closing rate (Dec. 30, 2009)*	EUR	0.077
Average daily trading volume (Xetra)	Shares	433.318
Market capitalization (Dec. 30, 2009)	EUR	24.047.100

Based on: Xetra closing rates / * ex-capital repayment

Capital Stock

The company's capital stock consists of AA, AB and B shares, each with a par value of EUR 0.01. The average and absolute number of issued and outstanding shares, including 723,656 treasury shares with a nominal value of EUR 7,236.56 totaled 312,300,000. The number of voting shares outstanding therefore amounts to 311,576,344 as of December 31, 2009. The treasury shares were the result of both issuance and acquisition in the context of an indemnification from Spray Ventures in 2002. In addition to ordinary capital stock, the company has issued its employees stock options, of which 0 are outstanding and exercisable as of December 31, 2009.

Shareholder Structure	Number of shares as of December 31, 2009	% of voting rights	% of shares	Number of shares as of December 31, 2008	% of voting rights	% of shares
LE Holding Corp.	100,000,000	32.1%	32.0%	100,000,000	32.1%	32.0%
Reinhard Mohn GmbH* / Fireball Internet GmbH / Jahr VVG mbH & Co. KG	62,270,000	20.0%	19.9%	62,270,000	20.0%	19.9%
Christoph Mohn Internet Holding GmbH	37,730,000	12.1%	12.1%	37,730,000	12.1%	12.1%
LYCOS Europe N.V. (treasury shares)	723,656	0.0%	0.2%	723,656	0.0%	0.2%
Free float	111,576,344	35.8%	35.8%	111,576,344	35.8%	35.8%
Total	312,300,000	100.0%	100.0%	312,300,000	100.0%	100.0%

* On September 21, 2009 former shareholder Bertelsmann Internet Holding GmbH was merged into Reinhard Mohn GmbH. All shares and voting rights were transferred to Reinhard Mohn GmbH.

in control statements

Internal risk management and control systems

LYCOS Europe N.V.'s internal audit processes are structured to ensure that the design and operation of the Group's internal risk management and control systems are both appropriate and effective. In line with this approach, internal audits are carried out as part of an annual risk assessments program.

At year-end, the Management Board and the Supervisory Board of LYCOS Europe N.V. review and evaluate the effectiveness of the internal risk management and control systems during the last financial year. In this respect, LYCOS Europe N.V. applies criteria established under the „Internal Control – Integrated Framework“ of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

As required by best practice provision II.1.5 of the Dutch Corporate Governance Code and on the basis of the foregoing and the explanations contained in the Risk Management section in this annual report, the Management Board has confirmed that to its knowledge:

- LYCOS Europe N.V.'s internal risk management and control systems provide a reasonable assurance that the Group's financial reporting does not contain any material inaccuracies; and
- LYCOS Europe N.V.'s risk management and control systems functioned properly in 2009.

Responsibilities in respect of the financial statements and annual report

The Management Board is responsible for preparing the financial statements and the annual report in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Management Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs, and of the profit or loss, of the respective companies included in the consolidation. They are responsible for maintaining proper accounting records, for safeguarding assets, and for taking reasonable steps to prevent and detect fraud and other irregularities. The Management Board is also responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent and reasonable. Applicable accounting standards have been followed and LYCOS Europe N.V.'s financial statements, which are the responsibility of the Management Board, are prepared using accounting policies which comply with IFRS.

outlook

As required by section 5:25c(2)(c) of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht) and on the basis of the foregoing the Management Board has confirmed that to its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of LYCOS Europe N.V. and the undertakings included in the consolidation taken as a whole.
- the annual report includes a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of LYCOS Europe N.V. and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that LYCOS Europe N.V. faces.

Management Board

Dr. Fred Wilsdorf

CEO LYCOS Europe N.V.

LYCOS Europe will proceed with winding down the entire company.

After the delisting of shares at NYSE Euronext Paris as it came effective on January 4, 2010 LYCOS Europe shares (ISIN NL0000233195) will still be tradable at German stock exchange or via the electronic exchange system (XETRA) for the time being.

In general it is the management's intention to provide additional payments to shareholders. However the date and amount of these payments cannot presently be determined.

Haarlem, the Netherlands

February 24, 2010

The Management Board

LYCOS Europe N.V.

LYCOS Europe N.V.

consolidated financial statements

for the year ended december 31, 2009

LYCOS Europe N.V.
consolidated statements of financial position

In thousand Euro	Notes	December 31, 2009	December 31, 2008
ASSETS			
Property, plant and equipment	6	0	124
Intangible assets	7,8,9	9	55
Other investments	10	0	7,132
Other non-current assets	11	5,739	977
Total non-current assets		5,748	8,288
Cash and cash equivalents	10	37,697	63,464
Other investments	10	2,400	5,500
Accounts receivable and other receivables	12,13	614	6,645
Current tax assets		27	288
Prepaid expenses and other current assets	12	267	5,721
Assets classified as held for sale	7	0	18,245
Total current assets		41,005	99,863
Total assets		46,753	108,151
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		3,123	3,123
Share premium		1,499,541	1,542,009
Treasury shares		(2,052)	(2,052)
Translation reserve		(3,642)	(4,101)
Accumulated deficit		(1,478,411)	(1,425,540)
Unappropriated result		11,907	(52,872)
Total shareholders' equity attributable to owners of the Company	16	30,466	60,567
Deferred tax liabilities	25	0	157
Total non-current liabilities		0	157
Accounts payable		1,971	5,291
Restructuring provision	18	8,525	23,440
Current tax liabilities	19	64	271
Other short-term liabilities	19	5,727	12,584
Liabilities classified as held for sale	7	0	5,841
Total current liabilities		16,287	47,427
Total liabilities		16,287	47,584
Total shareholders' equity and liabilities		46,753	108,151

The accompanying notes are an integral part of these consolidated financial statements

LYCOS Europe N.V.
consolidated statements of comprehensive income

In thousand Euro (except share data)	Notes	Year ended December 31, 2009	Year ended December 31, 2008 restated*
Advertising		51	11,891
Paid services and shopping		1,633	9,598
Other		1,577	1,353
Total revenues	4	3,261	22,842
Cost of revenues		(3,964)	(12,455)
Gross profit/(loss)		(703)	10,387
Sales and marketing	21,22	(1,120)	(15,491)
Research and development	9,21,22	(3,466)	(11,520)
General and administration	9,20,21,22	(10,987)	(44,359)
Other operating income	23	867	267
Total operating expenses		(14,706)	(71,104)
Loss from operations		(15,409)	(60,717)
Finance income		1,019	6,153
Finance expense		0	(92)
Other finance income		1,915	3,095
Net finance income	24	2,934	9,156
Loss before tax		(12,475)	(51,561)
Income tax benefit	25	19	341
Net loss from continuing operations		(12,456)	(51,220)
Result from discontinued operations (net of income tax)	7	24,363	(1,652)
Net profit/(loss) for the period attributable to owners of the Company		11,907	(52,872)
Foreign currency translation differences from foreign operations		459	(22)
Other comprehensive income for the period, net of income tax		459	(22)
Total comprehensive income (loss) for the period attributable to owners of the company		12,367	(52,894)
Basic/diluted profit/(loss) per share (Euro)			
– continued operation	26	(0.04)	(0.16)
Basic/diluted profit/(loss) per share (Euro)			
– discontinued operation		0.08	(0.01)
Basic/diluted profit per share (Euro)	26	0.04	(0.17)
Weighted average number of shares outstanding		311,576,344	311,576,344

* In compliance with IFRS 5 the Consolidated Statement of Comprehensive Income for year ended December 31, 2008, was restated.

The accompanying notes are an integral part of these consolidated financial statements

LYCOS Europe N.V.
consolidated statements of cash flows

In thousand Euro	Notes	Year ended December 31, 2009	Year ended December 31, 2008 restated*
Continued operations			
Cash flows from operating activities			
Profit/(loss) before tax		(12,475)	(51,561)
Adjustments for:			
Depreciation and amortization		146	2,055
Impairment of intangible assets		1,246	6,704
Financing income	24	(2,934)	(9,156)
Other		1,183	(955)
Change in accounts receivable		6,521	4,780
Change in prepaid expenses and other current assets		5,846	1,861
Change in other non-current assets		2,315	(1,396)
Change in accounts payable		(3,558)	(821)
Change in other current liabilities		(22,246)	21,000
Change in other non-current liabilities		(157)	(7,100)
Interest received		910	7,304
Income tax paid		269	(156)
Net cash used in operating activities		(25,300)	(27,441)
Cash flows from investing activities			
Acquisitions and disposals of property, plant and equipment and other intangible assets		1,498	(584)
Development expenditure		0	(652)
Transfer between cash equivalents and other investments	10	10,232	69,671
Proceeds from sale of other investments	24	1,952	265
Net cash (used)/provided in investing activities		13,682	68,700
Cash flows from financing activities			
Repayment of Share premium		(42,468)	(50,008)
Change in short-term debt		(186)	(35)
Net cash (used)/provided in financing activities		(42,654)	(50,043)
Discontinued operations			
Net cash from operating activities		(450)	2,825
Net cash from investing activities		25,491	(1,817)
Net cash from financing activities		(12)	(21)
Net cash from discontinued operations		25,029	(987)
Effect of exchange rate changes on cash and cash equivalents		67	(198)
Decrease/Increase in cash and cash equivalents		(29,176)	(7,995)
Cash and cash equivalents, beginning of the period		66,873	74,868
Thereof from continued operations		63,464	74,868
Thereof from discontinued operations		3,409	0
Cash and cash equivalents, end of the period	10	37,697	66,873
Thereof from continued operations		37,697	63,464
Thereof from discontinued operations		0	3,409

* In compliance with IFRS 5 the Consolidated Statement of Cash Flows for year ending December 31, 2008, was restated.

The accompanying notes are an integral part of these consolidated financial statements

LYCOS Europe N.V.
consolidated statements of shareholders' equity

In thousand Euro (except share data)	Notes	Class AA shares		Class AB shares		Class B shares	
		No. of shares	EUR	No. of shares	EUR	No. of shares	EUR
Balance as at January 1, 2008		62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development							
Appropriation of the net result of previous year							
Translation loss							
Net loss							
Distribution to shareholders							
Balance as at December 31, 2008		62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development							
Appropriation of the net result of previous year							
Translation loss							
Translation gain on disposal							
Net loss							
Distribution to shareholders							
Balance as at December 31, 2009	16	62,000,000	620	62,000,000	620	188,300,000	1,883

The accompanying notes are an integral part of these consolidated financial statements

Share premium	Legal reserve	Treasury shares		Translation reserve	Accumulated deficit	Unappropriated result	Total
		No. of shares	EUR				
EUR	EUR		EUR	EUR	EUR	EUR	EUR
1,588,076	3,941	(723,656)	(2,052)	(649)	(1,465,594)	40,054	166,899
3,941	(3,941)					0	0
					40,054	(40,054)	0
				(3,452)		0	(3,452)
						(52,872)	(52,872)
(50,008)						0	(50,008)
1,542,009	0	(723,656)	(2,052)	(4,101)	(1,425,540)	(52,872)	60,567
					(52,872)	0	0
						52,872	0
				1,438		0	1,438
				(979)		0	(979)
						11,907	11,907
(42,468)						0	(42,468)
1,499,541	0	(723,656)	(2,052)	(3,642)	(1,478,411)	11,907	30,466

LYCOS Europe N.V.

notes to the consolidated financial statements

1. significant accounting policies
2. changes in accounting policy and disclosures
3. group entities
4. segment reporting
5. financial risk management
6. property, plant and equipment
7. disposal of subsidiaries and assets held for sale
8. intangible assets
9. impairment testing
10. cash, cash equivalents and other investments
11. other non-current assets
12. accounts receivable and other receivables
13. related party transactions
14. compensation of key management personnel
15. compensation of the supervisory board
16. shareholders' equity
17. share based payments
18. provisions
19. other short-term liabilities
20. contingencies and commitments
21. other operating expenses
22. personnel expenses
23. other operating income
24. net finance income
25. income taxes
26. earnings per share
27. subsequent events

1. significant accounting policies

LYCOS Europe N.V. (“LYCOS Europe” or the “Company”/ISIN NL0000233195) is a former operator of an international network of websites being wound up. The Company commenced operations in the year 1997 and the companies existing before 2000 were reorganized as subsidiaries of LYCOS Europe N.V. in January 2000. The registered office of the Company is in Haarlem, the Netherlands (LYCOS Europe N.V., Richard Holkade 36, 2033 PZ Haarlem, the Netherlands). The company decided its liquidation in December 2008 and immediately started the shutdown process.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”).

a) Statement of compliance

LYCOS Europe has prepared consolidated financial statements in accordance with International Financial Reporting Standards and its interpretations as adopted by Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (Official Journal EC L 243 p.1) (“IFRS”).

b) Basis of preparation

As a consequence of ongoing declining revenues management started to evaluate different options for the business in 2008. At the end of this strategic review process the Management Board and Supervisory Board finally made the proposal to sell the LYCOS domains, the danish portals and the shopping activities and to discontinue the European portal and webhosting activities. This process is still ongoing.

As the Company has sufficient cash and cash equivalents available to ensure that it will not default in settling its liabilities related to the winding down process of the group, the financial statements have in principal been accounted on a going concern basis. However, for those parts of the business that have been affected by the strategic decisions taken, the appropriate accounting at fair value and reporting of discontinued operations has been applied as further discussed in notes e) property, plant and equipment, f) intangible assets, g) impairment, k) financial instruments and p) non-current assets held for sale and discontinued operations.

The financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments and estimates are principally made in the following decisions:

- Impairment test
- Determination of earn-out payments
- Deferred taxes
- Restructuring provision and legal accruals

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements have been prepared on the historical cost basis.

In compliance with IFRS 5 the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows for year ended December 31, 2008, were restated due to the fact that Pangora SAS was not longer classified as held for sale in 2009. Management decided in Q2/2009 to liquidate the company. Therefore restatement was necessary.

c) Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at foreign exchange rates ruling at the end of reporting period. The revenues and expenses of foreign operations are translated to Euro at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity, the translation reserve. In the case of a disposal of a subsidiary, the apportionable translation reserve is released and recognized in the statement of comprehensive income.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different remaining useful lives, they are accounted for as separate items of property, plant and equipment.

Lease equipment is capitalized where the terms of the lease indicate that the Company maintains substantially all of the risks and rewards of the equipment. Risks and rewards are maintained by the lessee if among others the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of property, plant and equipment. The estimated useful lives are as follows:

Computers	: 2–3 years
Furniture and fixtures	: 3–10 years
Other property, plant and equipment	: 3–5 years

As a consequence of the strategic decision to discontinue and suspend the European portal and webhosting activities, the company's property, plant and equipment assets have been classified as assets held for sale, or have been impaired and are accounted for at the recoverable amount.

f) Intangible assets

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since January 1, 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. According to exemptions provided by IFRS 1 the classification and accounting treatment of business combinations that occurred prior to January 1, 2004 have not been reconsidered in preparing the Group's opening IFRS statement of financial position at January 1, 2004. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to a group of cash-generating units and is no longer amortized but tested annually for impairment.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of comprehensive income as expenses are incurred.

Expenditure on development activities, enhancement of the Company's website and associated systems, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes direct costs of material and services, payroll costs for employees devoting time to software projects during the application development stage and indirect costs for rent and office computer usage. Other development costs are recognized in the statement of comprehensive income as expenses are incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment.

Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are at least annually tested for impairment. Other intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

Licenses and other rights	: 1–10 years
Trademark licenses	: 5–10 years
Capitalized development expenses	: 2 years
LYCOS Europe license (sold in 2009, see note 8)	: indefinite useful life

As a consequence of the strategic decision to discontinue and suspend the European portal and webhosting activities, the company's intangible assets have been classified as assets held for sale, or have been impaired and are accounted for at the recoverable amount.

g) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each end of reporting period to determine whether there is any indication that the carrying amount may not be recoverable.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually. Testing of the recoverable amount will also be performed if there is any indication for impairment. An impairment loss is recognized whenever the carrying amount of an asset or its group of cash-generating units exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of a group of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the group of cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there is an indication that the recoverable amount may have increased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Share capital

Share premium

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares (income above par).

Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than the functional currency of the Company.

j) Employee benefits

The share option programs of the Group allow Group employees to acquire shares of the Company. No compensation costs for stock options were recognized for stock options granted with an exercise price at or above fair market value as a result of adoption of exemption rules provided in IFRS 1.

k) Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are classified as available for sale when they do not meet the definition of any other category.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, short-term and long-term deposits, trade and other receivables, loan and other receivables and all balances approximate their fair values.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with gains or losses recognised in the statement of comprehensive income.

The Group has not designated any financial assets as at fair value through profit or loss.

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2009 and 2008.

Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of comprehensive income in finance costs and removed from the available-for-sale reserve. The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold until the financial asset accordingly. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the

expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of comprehensive income.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with

similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be valued against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. The group does not have issued financial guarantee contracts to be recognized at end of reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Derivatives are valued on the basis of current interest rates and currency rates. As of December 31, 2009 no forward exchange contracts were open. As of December 31, 2008 no forward exchange contracts were open.

According to IFRS 7 the financial assets shown in the balance sheet (Accounts Receivable (kEUR 614; PY kEUR 7,122), cash and cash equivalents (kEUR 37,697; PY kEUR 64,350), other non-current assets (kEUR 5,739; PY kEUR 994), other investments (kEUR 2,400; PY kEUR 7,132) and other current financial assets (kEUR 66; PY kEUR 457) are allocated to the category "Loans and Receivables". The book value of these financial assets equals their historical costs and their fair values.

The financial liabilities entirely contain accounts payables of kEUR 1,972 (PY kEUR 5,409). The book value of these financial liabilities equals their historical costs and their fair values.

l) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of the provision is discounted by using a pre-tax rate that reflects current market assessments and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

m) Revenue

The Group generates revenues due to rendering of services. Revenues comprise advertising, paid service, shopping and other revenues.

Advertising revenues

Revenues from the sale of advertising are obtained through contracts and payments, which business partners make for prominent placing and advertising space on the Company's websites. Under these contracts the Company has a fixed or a variable price for a certain number of page impressions or user referrals to other Internet sites. Advertising revenues are recognized in the statement of comprehensive income in proportion to the stage of completion of the transaction at the end of reporting period or ratably over the period. The stage of completion is assessed by reference to delivered impression compared to contractual agreed upon impressions.

Paid service and shopping revenues

Revenues from paid services and shopping are made up from fees charged to Internet users for the access to certain products of the Company, from commissions on the turnover made by the business partners and generated through the Company's websites, as well as from commissions of the sale of goods on the Internet. Revenues from paid services and shopping are recognized at the time the service is rendered.

Other revenues

Other revenues mainly consist of revenues from interconnection services and licensing and are recognized at the time the service is rendered.

Barter transactions

Revenues from barter transactions have been valued based upon similar cash transactions according to SIC 31. Advertising revenues from barter transactions are recognized similar to advertising revenues. During the period ended December 31, 2009, and 2008, revenues from barter transactions have been less than 5 percent of total revenues.

n) Government grants

Government grants are recognized in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized as other operating income in the statement of comprehensive income. For the financial year 2009 the group received grants of EUR 0.2 million (2008: EUR 0.8 million). A provision for potential repayment of government grants was set up of EUR 1.0 million (2008: EUR 0.8 million).

o) Expenses

Cost of revenues consists of the costs directly associated with the production and usage of the Company's online media properties. These costs primarily consist of costs related to in-house production of content, fees paid for content purchased from third parties, Internet connection charges and license fees, depreciation and amortization related to data center, hosting cost, other network cost and compensation expenses.

Costs other than costs of revenues are allocated using a functional split to Sales and Marketing, Research and Development and General and Administrative expenses.

p) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statements of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

q) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

As of December 31, 2009 and December 31, 2008 the Group has only entered into operating lease agreements.

2. changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements effective 1 January 2009
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- Improvements to IFRSs (May 2008)
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009

If the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the statement of comprehensive income in the separate financial statement.

Both revisions were effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 has to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is effectively cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. For further information see note 4.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations**Arising on Liquidation**

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. As the group currently has no customer loyalty programs, no effects on the consolidated financial statements arise from this Interpretation.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this Interpretation did not have any impact on the financial position or the performance of the Group.

Improvements to IFRSs

In May 2008 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between

the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As at December 31, 2009 and December 31, 2008 the Group held no financial assets measured at fair value. The liquidity risk disclosures are not significantly impacted by the amendments.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The amendments do not have an impact on the Group's financial performance since the Group does not hold any embedded derivatives.

New Accounting pronouncements

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

Standards and interpretations endorsed by EU

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to take advantage of this possibility.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past and will not make such distributions in the future.

IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted)

IFRIC 18 applies to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such items. These assets must then be used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The entities need to assess whether the assets qualify for recognition in their statements of financial position. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, since the Group has no assets in use which were received from customers.

Standards and interpretations not yet endorsed by EU**IFRS 2 Share-based Payment:****Group Cash-settled Share-based Payment Transactions effective January 1, 2010**

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, since the Group has neither current share based payment plans nor plans to implement new ones.

IAS 32 Classification of Rights Issues

The Amendment amends the IAS 32 definition of a financial liability to classify rights as equity instruments. This is applicable if the rights are given pro rata to the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency. The Amendment will have no impact on the financial position or performance of the group.

Improvements to IFRSs

In April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:

clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in Note 8 Operating segment information.

• **IFRS 8 Operating Segment Information:**

clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 8.

• **IAS 1 Presentation of Financial Statements:**

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

• **IAS 18 Revenue:**

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group.

IFRS 9 Financial Instruments "Recognition and measurement"

In November 2009 the IASB issued phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. Phase 1 of the project establishes a new classification and measurement framework for financial assets.

At initial recognition, all financial assets (including hybrid contracts with a financial asset host) are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortised cost or fair value on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Debt instruments may be subsequently measured at amortised cost if:

- The asset is held within a business model whose objective is to hold the assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value.

All financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or profit or loss. This is an irrevocable choice the entity makes by instrument unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

The group has concluded that the amendment will have no impact on the financial position or performance of the group, as the group currently shows only debt instruments and classified these to be measured at amortised cost.

IFRIC 14 Prepayments of a Minimum Funding Requirement

On 26 November 2009, the International Financial Accounting Standards Board (IASB) issued Prepayments of a Minimum Funding Requirement which amends IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover those requirements.

If a pension asset cannot be recovered by a refund, its carrying value is restricted to the amount recoverable through reduced future contributions. The group has concluded that the amendment will have no impact on the financial position or performance of the group, as the group does not have any defined employee benefit plans.

3. group entities

Subsidiaries of LYCOS Europe N.V. included in the consolidated financial statements are as follows (direct and indirect holdings as at December 31, 2009):

Company	Ownership	Country of incorporation	Statutory seat
Home SE AB	100 %	Sweden	Stockholm
LYCOS cjsc	100 %	Armenia	Yerevan
LYCOS Eastern Europe GmbH	100 %	Germany	Gütersloh
LYCOS Espana Internet Services SL	100 %	Spain	Madrid
LYCOS Europe BV	100 %	Netherlands	Amsterdam
LYCOS Europe GmbH:			
as of January 12, 2010 Jubii Europe GmbH	100 %	Germany	Gütersloh
LYCOS France SARL	100 %	France	Paris
LYCOS Italia Srl	100 %	Italy	Milan
LYCOS Netherlands BV	100 %	Netherlands	Amsterdam
LYCOS UK Ltd.	100 %	United Kingdom	London
Odina Sverige AB	100 %	Sweden	Stockholm
Pangora SAS	100 %	France	Paris
Yarps Network Services AB	100 %	Sweden	Stockholm
Yarps Telecom Network AB	100 %	Sweden	Stockholm

The following entities were sold in 2009:

Company	Ownership	Country of incorporation	Statutory seat
Aster-Europe Ltd.	100 %	United Kingdom	Birmingham
Begonia-Europe Ltd.	100 %	United Kingdom	Birmingham
Chrysanthemum-Europe Ltd.	100 %	United Kingdom	Birmingham
Dahlia-Europe Ltd.	100 %	United Kingdom	Birmingham
dopoly GmbH	100 %	Germany	Munich
Ivy-Europe Ltd.	100 %	United Kingdom	Birmingham
Lily-Europe Ltd.	100 %	United Kingdom	Birmingham
Mimosa-Europe Ltd.	100 %	United Kingdom	Birmingham
Nectarine-Europe Ltd.	100 %	United Kingdom	Birmingham
Oleander-Europe Ltd.	100 %	United Kingdom	Birmingham
Pangora GmbH	100 %	Germany	Karlsruhe
Pangora Italia Srl	100 %	Italy	Milan
Peach-Europe Ltd.	100 %	United Kingdom	Birmingham
Yarps Network AB	100 %	Sweden	Stockholm
united-domains AG	100 %	Germany	Munich
youSmile Geschenke GmbH	100 %	Germany	Karlsruhe

The following entities were liquidated in 2009:

Company	Ownership	Country of incorporation	Statutory seat
Jubii IP Ltd.	100 %	United Kingdom	London
Jubii LLC	100 %	United States	Wilmington
Jubii Services Ltd.	100 %	United Kingdom	London
Pangora LLC	100 %	United States	Wilmington

4. segment reporting

The company has to apply IFRS 8 'operating segments' as of January 1, 2009. Segment information is presented in respect of the group's geographical segments. These segments are based on the group's management and internal reporting structure and the country in which each legal entity has its incorporation. Intersegment pricing is determined on an arm's length basis. Unlike under IAS 14 in previous years group management internal reporting structure in 2009 was based on geographical segments. Since the group's business purpose has changed completely in 2009 management focused on liquidating and/or selling the remaining legal entities of the group. To achieve this goal management applies a geographical approach.

In thousand Euro	Germany partially discontinued		Sweden		France		United Kingdom	
	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008
	Revenues	14,059	37,670	1	16	944	7,286	58
Revenues from inter- segment transactions	2,280	15,865	502	480	83	316	174	197
Total revenues	16,339	53,535	503	495	1,026	7,601	232	6,275
Sum of cost of revenues and operating expenses	(24,102)	(96,854)	(484)	(493)	(3,161)	(14,396)	(1,544)	(6,343)
Profit/(loss) from operations	(7,763)	(43,319)	18	2	(2,134)	(6,794)	(1,313)	(68)
Net finance income	(189)	(1,350)	254	1,234	(101)	(83)	286	(306)
Net income tax gain/(loss)	749	386	0	0	(218)	15	0	0
Discontinued operations	25,660	0	0	0	0	0	0	0
Net profit/(net loss) for the year	18,457	(44,283)	272	1,236	(2,453)	(6,862)	(1,027)	(374)
Thereof depreciation, amortization and impairment loss	(2,259)	(8,084)	(5)	(57)	(216)	(437)	(8)	(14)

In thousand Euro	Germany partially discontinued		Sweden		France		United Kingdom	
	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008
	Segment assets	(20,676)	54,134	12,995	20,597	(5,283)	8,111	3,673
Segment equity	(36,306)	(26,945)	8,446	23,516	(8,386)	(4,896)	(1,030)	4
Segment liabilities	15,629	81,078	4,549	(2,919)	3,103	13,007	4,703	4,940
Segment equity and liabilities	(20,676)	54,134	12,995	20,597	(5,283)	8,111	3,673	4,944

Denmark discontinued		Other regions and eliminations		Less discontinued operations		Consolidated (restated)	
Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008
0	4,196	2,456	5,610	(14,257)	(38,014)	3,261	22,842
0	4	(3,038)	(16,861)	0	0	0	0
0	4,201	(582)	(11,251)	(14,257)	(38,014)	3,261	22,842
0	(7,572)	(6,520)	(1,464)	17,141	43,563	(18,670)	(83,559)
0	(3,372)	(7,102)	(12,715)	2,884	5,549	(15,409)	(60,717)
0	(51)	2,792	9,605	(109)	107	2,934	9,156
0	0	(781)	439	269	(498)	19	341
0	3,506	1,748	0	(27,407)	(3,506)	0	0
0	84	(3,343)	(2,673)	(24,363)	1,652	(12,456)	(51,220)
0	(42)	(1,069)	(5,312)	2,164	5,187	(1,394)	(8,759)

Denmark discontinued		Other regions and eliminations		Less discontinued operations		Consolidated	
Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008
0	0	56,045	2,120	0	18,245	46,753	108,151
0	327	67,742	56,154	0	12,404	30,466	60,567
0	(327)	(11,698)	(54,033)	0	5,841	16,287	47,584
0	0	56,045	2,121	0	18,245	46,753	108,151

5. financial risk management

By using its financial instruments, the Company is exposed to credit, liquidity and market risk. This note presents information about the exposure to each of the aforementioned risk categories.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. Derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Management Board reviews and agrees policies for managing each of the above mentioned risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk.

The currency risk of LYCOS Europe is mainly related to sales and purchases that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries, which is primarily the Euro (EUR), but also Armenian Dram (AMD), Great Britain Pounds (GBP), Swedish Kronor (SEK) and U.S. Dollars (USD). LYCOS Europe aims to limit its exposure by avoiding these transactions. For significant contracts, for which such currency risk is unavoidable, the related exposure is hedged by forward contracts. As of December 31, 2009 and December 31, 2008 no significant amounts of financial assets or financial liabilities were denominated in a currency other than the respective group companies functional currencies. The group has not entered into any forward agreements as of December 31, 2009 and 2008

Financial instruments affected by market risk include loans and borrowings, deposits, investments. The sensitivity analysis below relates to the positions as at 31 December 2009 and 2008, and shows the effect of the assumed changes in the interest rates on the net interest income for one year.

The sensitivity analyses in the following sections relate to the position as at 31 December 2009 and 2008.

The sensitivity on the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets held at December 31, 2009 respective December 31, 2008.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term deposits and investments with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax
2009		
EUR	+100	+0.4 Mio EUR
	-100	-0.4 Mio EUR
2008		
EUR	+100	+0,7 Mio EUR
	-100	-0,7 Mio EUR

Credit risk

Credit risk is the risk of a financial loss if a customer or party to another financial instrument fails to meet its obligations. Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in Europe. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. An overview of these reserves is given in note 12. The Company's objective is furthermore to ensure the safety of its investments at maturity date. This is achieved by selection of counterparties with a good credit rating and holding a majority of the cash equivalents and deposits mainly with German banks, which are regularly monitored for full coverage by the depositor's guarantee fund.

As of December 31, 2009 and as of December 31, 2008, the items' maximum credit risk was equal to their respective carrying amounts.

All credit risks were appropriately accounted for by recognizing impairment losses. As a consequence, the assets for which no impairment losses were recognized are of good credit quality, and there are no indications for any losses.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations if they fall due. LYCOS Europe ensures with biweekly cash forecasts that it has sufficient cash on demand to meet its financial obligations. An overview of the maturity of cash, cash equivalents and each class of the Company's investment is presented in note 10.

Financial liabilities (December 31, 2009 and December 31, 2008) are all due within 1 year.

Capital management

Capital includes equity attributable to the owners of the parent plus share premium less accumulated deficit, unappropriated result, treasury shares and translation reserves.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. In 2009 the focus of capital management changed to ensure a maximum of capital return to shareholders under the ongoing liquidation process.

6. property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and if applicable any impairment charge, including equipment under capital lease. They comprise of:

In thousand Euro	Computers	Furniture and fixtures	Total
Cost			
Balance as at January 1, 2008	17,122	3,066	20,188
Acquisitions, other	614	77	691
Disposals	(7,382)	(1,545)	(8,927)
Transfer to assets held for sale	(2,054)	(376)	(2,430)
Other	21	89	110
Effects of movements in foreign exchange rates	(1,202)	(178)	(1,380)
Balance as at December 31, 2008	7,119	1,133	8,253
Balance as at January 1, 2009	7,119	1,133	8,253
Disposals	(4,194)	(907)	(5,101)
Balance as at December 31, 2009	2,925	226	3,151
Depreciation and impairment losses			
Balance as at January 1, 2008	(15,639)	(2,175)	(17,814)
Depreciation charge	(603)	(773)	(1,376)
Impairment loss	(927)	0	(927)
Disposals	7,255	1,545	8,800
Transfer to assets held for sale	1,521	185	1,706
Other	231	(43)	188
Effects of movements in foreign exchange rates	1,135	158	1,293
Balance as at December 31, 2008	(7,027)	(1,103)	(8,129)
Balance as at January 1, 2009	(7,027)	(1,103)	(8,129)
Depreciation charge	(60)	(55)	(115)
Disposals	4,162	881	5,043
Other	0	51	51
Balance as at December 31, 2009	(2,925)	(226)	(3,151)
Carrying amounts			
Balance as at December 31, 2008	93	30	124
Balance as at December 31, 2009	0	0	0

7. disposal of subsidiaries and assets held for sale

On November 26th, 2008 LYCOS Europe announced the results of the strategic review process which had been announced in April 2008. As a result of this process, the Shareholders' Meeting followed the conclusion of the Management Board and Supervisory Board of LYCOS Europe that the best available option for the company is to strive for a sale of the Danish portal, the domains and shopping activities and to discontinue the portal and webhosting activities.

united-domains

During the course of December 2008, LYCOS Europe signed a contract for the sale of united-domains AG, Starnberg. The transaction was subject to clearance of antitrust authorities. The domain business was therefore disclosed as held for sale and as discontinued operations in the annual financial statements of 2008.

On January 30, 2009, the approval from the antitrust authorities was received. The purchase price of EUR 34.1 million was completely paid in cash. Of the purchase price EUR 7.0 million was placed into an escrow account as a security for possible obligations that might arise from the sale. The escrow account will be released in five installments ending 2014. The transfer of all assets and liabilities of united-domains AG was effective February 28, 2009 and led to a gain on disposal of EUR 27.2 million, which is shown under the result of discontinued operations.

Shopping business

The shopping business consisting of Pangora GmbH, Pangora SAS, Pangora Italia S.R.L. and youSmile Geschenke GmbH (in the following referred to as "Pangora Group") has been disclosed as held for sale and discontinued operations in the 2008 financial statements. In the first quarter of 2009 the fair value less cost to sell of the Pangora Group decreased by EUR 3.4 million, of which EUR 2.2 million is shown as a result from discontinued operations and EUR 1.2 million related to Pangora SAS in operating expenses.

In 2009 the Management Board and Supervisory Board of LYCOS Europe approved to restructure the shopping business unit in France and liquidate Pangora SAS accordingly. Hence Pangora SAS was reclassified from held for sale back to continuing operations.

Effective November 1, 2009, the shopping activities (except for Pangora SAS) were sold to an affiliate company of Become, Inc. for a net consideration of EUR 0.4 million. The sale resulted in a gain of EUR 0.2 million that has been disclosed as result from discontinued operations.

Yarps Network AB

On October 2, 2009 LYCOS Europe N.V. sold all shares of Yarps Network AB, a 100% owned subsidiary of LYCOS Europe N.V., to Flygstaden Intressenter i Söderhamn AB for a purchase price less shareholders' equity of approximately EUR 2.0 million.

The sale resulted in a gain of EUR 2.0 million that has been disclosed as other finance income.

Net assets, considerations received and transaction results

The net assets at the day of recognition and the considerations received were as follows:

In thousand Euro	united-domains	Pangora Group	Yarps Network AB
Goodwill	6,310	0	0
Property, plant and equipment	357	373	0
Intangible assets	395	13	0
Accounts receivables	491	1,882	0
Intercompany	0	0	15,991
Other assets	0	245	0
Cash	1,764	176	701
Accruals	(106)	(1,212)	0
Accounts payables	(789)	(1,193)	0
Other liabilities	(1,550)	(93)	0
Net assets	6,872	191	16,692
Consideration received, satisfied in cash	34,067	(427)	18,645
Intercompany loan assumed and settled	0	830	0
Total purchase price received	34,067	403	18,645
Transaction gain	27,195	212	1,953

Discontinued operations and assets held for sale

As the business units mentioned above (united domains, Pangora GmbH & Pangora SRL and youSmile Geschenke GmbH) were sold during 2009, the remaining amount of assets and liabilities classified as held for sale balances to zero at December 31, 2009.

In thousand Euro	united-domains 2009	Pangora Group 2009	Total 2009
Result of discontinued operations			
Revenues	2,479	11,778	14,257
Expenses	(2,282)	(12,695)	(14,977)
Result from operating activities	197	(917)	(720)
Net financing income	0	109	109
Decrease in fair value less cost to sell	0	(2,164)	(2,164)
Gain on sale of discontinued operation	27,195	212	27,407
Profit/(loss) before tax from discontinued operation	27,392	(2,760)	24,632
Income tax expense	(269)	0	(269)
Profit/(loss) from discontinued operation	27,123	(2,760)	24,363

In thousand Euro	united-domains December 31, 2008	Pangora Group December 31, 2008	Total December 31, 2008
Assets held for sale			
Property, plant and equipment	359	365	724
Intangible assets	6,702	3,409	10,111
Accounts receivables	471	3,129	3,600
Other assets	1,632	2,178	3,810
Total Assets	9,164	9,081	18,245

In thousand Euro	united-domains December 31, 2008	Pangora Group December 31, 2008	Total December 31, 2008
Liabilities held for sale			
Accounts payables	720	1,488	2,208
Other liabilities	1,358	2,275	3,633
Total Liabilities	2,078	3,763	5,841

In thousand Euro	united-domains 2008	Pangora Group (restated) 2008	Jubii Denmark 2008	Total 2008
Result of discontinued operations				
Revenues	18,232	15,586	4,196	38,014
Expenses	(12,585)	(20,087)	(7,569)	(40,241)
Result from operating activities	5,647	(4,500)	(3,373)	(2,226)
Net financing income	9	(130)	14	(107)
Impairment loss recognised on the remeasurement to fair value less costs to sell	0	(3,324)	0	(3,324)
Gain on sale of discontinued operations**	0	0	3,506	3,506
Profit/(loss) before tax from discontinued operation	5,656	(7,953)	147	(2,150)
Income tax expense	21	477	0	498
Profit/(loss) from discontinued operation	5,677	(7,476)	147	(1,652)

** For further information concerning the gain on sale resulting from the sale of Jubii please refer to "11. Other non-current assets".

8. intangible assets

On May 26, 2009 LYCOS Europe signed an agreement with Lycos Inc. to return the licensed brands (Lycos, Hotbot, Tripod and Angelfire) to Lycos Inc. for an amount of EUR 0.6 million (USD 0.8 million) plus 40 percent revenue share for one year, the corresponding gain was EUR 0.6 million.

The intelligent search LYCOS iQ was transferred to Hubert Burda Media for an amount of EUR 0.4 million which was also the result on this transaction.

Amortization expenses amounted to EUR 0.0 million and EUR 2.5 million for the period ending December 31, 2009 and December 31, 2008, respectively and are included in all the main expense categories within the statement of comprehensive income.

In thousand Euro	Goodwill	Licenses and other rights	Capitalized development expenses	Purchased software	Total
Cost					
Balance as at January 1, 2008	30,809	53,278	10,886	4,299	99,272
Acquisitions, business combinations	0	250	0	0	250
Acquisitions, other	0	93	0	309	402
Disposals	0	0	(10,651)	(656)	(11,307)
Transfer to assets held for sale	(27,390)	(5,191)	0	(741)	(33,322)
Other	(3,419)	(560)	0	(278)	(4,257)
Effects of movements in foreign exchange rates	0	(85)	(235)	(50)	(370)
Balance as at December 31, 2008	0	47,785	0	2,883	50,668
Balance as at January 1, 2009	0	47,785	0	2,883	50,668
Disposals	0	(47,782)	0	(2,877)	(50,659)
Balance as at December 31, 2009	0	3	0	6	9
Amortization and impairment losses					
Balance as at January 1, 2008	(17,608)	(46,935)	(6,945)	(3,924)	(75,412)
Amortization charge	0	(1,066)	(870)	(606)	(2,541)
Impairment loss	(1,539)	(3,786)	(3,776)	0	(9,101)
Disposals	0	0	10,651	656	11,307
Transfer to assets held for sale	19,147	3,360	0	704	23,211
Other	0	560	633	289	1,482
Effects of movements in foreign exchange rates	0	86	306	49	441
Balance as at December 31, 2008	0	(47,781)	0	(2,831)	(50,613)
Balance as at January 1, 2009	0	(47,781)	0	(2,831)	(50,613)
Amortization charge	0	(1)	0	(30)	(31)
Disposals	0	47,782	0	2,877	50,659
Other	0	0	0	(16)	(16)
Balance as at December 31, 2009	0	0	0	0	0
Carrying Amounts					
Balance as at December 31, 2008	0	3	0	52	55
Balance as at December 31, 2009	0	3	0	6	9

9. impairment testing

In 2009 the Company did not perform an annual impairment test as there were no goodwill or intangible assets with an indefinite life. For the decrease in fair value less cost to sell of the assets and liabilities held for sale refer to note 7 “Disposal of subsidiaries and assets held for sale”.

10. cash, cash equivalents and other investments

Cash, cash equivalents and other investments are made up of the following:

In thousand Euro	December 31, 2009	December 31, 2008
Cash	2,365	6,944
Cash equivalents	35,332	56,520
Subtotal cash and cash equivalents	37,697	63,464
Other investments due within one year	2,400	5,500
Other investments due after one year	0	7,132
Subtotal other investments	2,400	12,632
Total	40,097	76,096

An amount of EUR 4.1 million and EUR 7.6 million is restricted in use as at December 31, 2009, and December 31, 2008, respectively. An amount of EUR 0.0 million and 2.1 million of the restricted cash is non-current as at December 31, 2009, and December 31, 2008, respectively. The restricted cash serves as collateral for financial liabilities.

Cash consists of bank balances and call deposits, cash equivalents consist of short-term deposits with an original and remaining maturity of less than three months and other investments consist of other deposits with a maturity of more than 12 months. Interest on short-term deposits is calculated based on fixed interest rates. The interest on long-term deposits is calculated based on fixed and variable interest rates. Fixed interest rate contracts amount to EUR 0.0 million (2008: EUR 2.1 million) and variable interest rate contracts amount to EUR 0.0 million (2008: EUR 5.0 million).

11. other non-current assets

Other non-current assets are made up as follows:

In thousand Euro	December 31, 2009	December 31, 2008
Rent deposits	61	102
Loans receivable	0	875
Other	5,678	0
Total	5,739	977

As of December 31, 2009 and as of December 31, 2008, the fair values of financial instruments were equal to the carrying amounts.

Loans receivable

On December 31, 2008, the Danish portal business Jubii Denmark was sold for a consideration of EUR 3.5 million. The sale and purchase agreement provided that 25 percent of the consideration could be settled as a loan. The loan should be repaid in full, including interest, within five years from the completion date at the latest. The interest rate is 10 percent per annum. 37.5 percent of the shares in Jubii have been put in escrow as collateral. These shares will be transferred to LYCOS Europe N.V. in case the loan and interest is not timely repaid. In 2009 the total amount of the loan receivable was fully impaired.

Other non-current assets in the amount of kEUR 5,678 relate to the long-term portion of the escrow account, set up in connection with the sale of united-domains AG including interest for the period ending December 2009. The short-term portion is being recorded under other investments (EUR 2.4 million).

12. accounts receivable and other receivables

Accounts receivable are made up as follows:

In thousand Euro	December 31, 2009	December 31, 2008
Accounts receivable, gross	3,526	9,219
Less allowance for doubtful debt	(2,951)	(2,595)
Accounts receivable from related parties	39	21
Total	614	6,645

The aging of accounts receivable is as follows:

In thousand Euro	December 31, 2009	December 31, 2008
Accounts receivable not due	376	1,961
Accounts receivable 0–30 days overdue	25	1,031
Accounts receivable 30–90 days overdue	803	1,215
Accounts receivable more than 90 days overdue	2,322	3,050
Accounts receivables from barter transactions	0	1,962
Total	3,526	9,219

The development of the allowance account is as follows:

In thousand Euro	2009	2008
Balance as at January 1	2,595	3,244
Additions	356	1,347
Transfers to asset held for sale	0	(1,996)
Balance as at December 31	2,951	2,595

Prepaid expenses and other current assets are made up of the following:

In thousand Euro	December 31, 2009	December 31, 2008
Other financial assets		
Rent deposits and prepayments	35	135
Current prepaid expenses	31	322
Subtotal other financial assets	66	457
Other short-term receivables	201	3,911
Subtotal	267	4,368
Deferred expenses	0	1,353
Total	267	5,721

13. related party transactions

The Company engages in various related party transactions with both Bertelsmann AG and Telefónica SA and their subsidiaries, which include revenue and expense transactions. These transactions are booked on separate accounts and are generally settled within thirty days of the relevant transaction. The billing rates are set at rates which are at arms-length.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year for information regarding outstanding balances at 31 December 2009 and 2008:

In thousand Euro		Services to related parties	Services from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence over the Group:					
Bertelsmann AG and subsidiaries	2009	187	(1,863)	39	68
	2008	0	(3,037)	20	47
Telefónica SA and subsidiaries	2009	0	0	0	0
	2008	45	0	0	0

Services to related parties

The services to related parties were rendered to Bertelsmann AG and Telefónica SA and basically contained advertising and rental agreements.

Services from related parties

The services from related parties mainly consisted of personnel costs and IT-services that the company was provided with by Bertelsmann AG.

The services to and services from related parties are made at market prices which approximate fair value. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: kEUR 0). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

14. compensation of key management personnel

The fixed annual salaries and bonuses for 2009 and 2008 of key management personnel were as follows:

In thousand Euro	Fixed annual salary		Bonus	
	2009	2008	2009	2008
Short-term employee benefits	562	896	45	141
Total	562	896	45	141

Long-term incentive

By way of long-term incentive, key management personnel was granted share option rights in accordance with the options scheme outlined in note 17. All share option rights granted to key management personnel expired in 2009 and 2008.

Shares

Christoph Mohn owns 8,333 shares in the Company. Christoph Mohn Internet Holding GmbH (100 percent held by Christoph Mohn) owns 37,730,000 shares in the Company as at December 31, 2009, and December 31, 2008.

15. compensation of the supervisory board

Remuneration package

No member of the Supervisory Board received remuneration in respect of their function as member of the Supervisory Board of the Company in 2009 and 2008. Former members of the Supervisory Board did not receive any remuneration in 2009 and 2008.

Options/shares

No share options rights in the Company are granted to or acquired by members of the Supervisory Board. No member of the Supervisory Board of LYCOS Europe N.V. reported to hold shares in the Company.

16. shareholders' equity

Issued capital

The Company's Class AA and AB shares have been issued as registered shares. These registered shares carry special voting and binding nomination rights. Of the shareholders, only holders of Class AA and AB registered shares have also the right to make binding nominations of the Management Board and the Supervisory Board as well as for the positions of Chairman and Deputy Chairman of the Supervisory Board.

The Class AA shares have a par value of EUR 0.01. Of the 250,000,000 shares authorized, 62,000,000 are issued and outstanding on December 31, 2009, and December 31, 2008. These shares are owned by the LE Holding Corp., a company fully owned by Telefónica SA.

The Class AB shares have a par value of EUR 0.01. Of the 250,000,000 shares authorized, 62,000,000 are issued and outstanding on December 31, 2009, and December 31, 2008. These shares are owned by Reinhard Mohn GmbH (24,347,400), Fireball Internet GmbH (14,260,000) and Christoph Mohn Internet Holding GmbH (23,392,600), also initial shareholders and founders of the Company.

The Class B shares have a par value of EUR 0.01. Of the 500,000,000 shares authorized, 188,300,000 are issued on December 31, 2009, and December 31, 2008, respectively, and 187,576,344 are outstanding on December 31, 2009, and December 31, 2008, respectively.

With approval from the Supervisory Board the Management Board resolved to undertake a capital repayment of EUR 35.0 million to be charged to the premium reserve without changing the nominal amount.

The Supervisory Board of LYCOS Europe N.V. (meeting from November 19, 2009) followed the proposal made by the management Board and resolved to undertake a capital repayment of approximately EUR 7.5 million to be charged to the premium reserve without changing the nominal value of shares.

Unappropriated result

The General Meeting of Shareholders will be asked to approve the appropriation of the 2009 net profit for the period attributable to owners of the Company in the amount of EUR 11,907 thousand to the other reserves/accumulated deficit.

17. share based payments

In fiscal year 2000, the Company approved a stock option plan ("the Plan"). Under the terms of the Plan, the Company may grant up to 10 million options to purchase shares of the Company. Options are generally granted for a period of eight years.

These options were granted to the employees as an additional incentive to the usual salary payments. Intention of the management was to achieve a higher identification of the employees with the Company. As at December 31, 2009, all options are expired. The number of outstanding options equals zero.

	Number of options	Weighted average exercise price per share in Euro
Options outstanding on January 1, 2008	392,750	7.05
Options expired	(261,350)	8.66
Options forfeited	(101,100)	1.83
Options outstanding on December 31, 2008	30,300	1.83
Options expired	(30,300)	1.83
Options outstanding on December 31, 2009	0	0

18. provisions

Provisions recognized are presented below:

In thousand Euro	Restructuring	Earn out	Other
Balance as at January 1, 2008	984	8,419	145
Provisions made during the year 2008	23,288	0	0
Provisions used during the year 2008	(764)	(5,000)	(121)
Provisions released during the year 2008	(68)	(3,419)	(24)
Balance as at January 1, 2009	23,440	0	0
Provisions used during the year 2009	(12,774)	0	0
Provisions released during the year 2009	(2,141)	0	0
Balance as at December 31, 2009	8,525	0	0
Non-current	2,629	0	0
Current	5,896	0	0

Restructuring

The restructuring provision recorded at December 31, 2009 comprises of EUR 8.5 million which is related to management's decision to discontinue the portal and webhosting activities. The restructuring provision mainly consists of costs for cancellation of long-lasting contracts and termination benefits for employees.

During 2009 the usage of the restructuring provision was as follows: employees EUR 6.5 million and contracts EUR 6.3 million. An amount of EUR 2.1 million of prior year's restructuring provision was released as it was no longer required.

It is expected that most of the obligations arising from the suspension of the company will be settled within the next year.

19. other short-term liabilities and current tax liabilities

Other short-term liabilities comprise:

In thousand Euro	December 31, 2009	December 31, 2008
Accrual for salary and salary related cost	10	962
Accrual for marketing cost	0	2,234
Accrual for professional services	1,570	977
Deferred revenues	0	241
Other accrued expenses	3,021	5,527
Other current liabilities (non-financial liabilities)	1,126	2,643
Accrued expenses and other current liabilities	5,727	12,584
Current tax liabilities	64	271

Under current tax liabilities the Company shows income tax due to tax authorities.

20. contingencies and commitments

Commitments

The Company has entered into operating lease agreements in Armenia, France, Germany, Italy, the Netherlands and the United Kingdom. The Company did not enter any financial lease agreements in the year ending December 31, 2009.

Lease and rental payments amount to EUR 1.1 million for the year ending December 31, 2009.

The future, non-cancelable commitments are shown under restructuring provision.

Litigation

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. Due to the process of liquidation the number of litigations increased in the financial year 2009. Therefore in 2009 legal costs of EUR 1.3 million were accrued. The accrual mainly relates to risks resulting from two litigations. Both cases refer to claims for compensation costs resulting from breaches of contracts.

On August 4, 2008 our shareholder LE Holding Corporation, a subsidiary of Telefonica S.A., filed an application for an inquiry into the policy and conduct of business of LYCOS Europe N.V. at the Enterprise Chamber of the Amsterdam Court of Appeal (Enterprise Chamber). Having heard the case, the Enterprise Chamber has dismissed all requests made by LE Holding Corporation in its ruling of February 17, 2009.

Indemnity and insurance

The Company shall indemnify and hold harmless each member of the Management Board and of the Supervisory Board in accordance with Article 26.A of the Articles of Association of the Company. For this purpose the Company has contracted a D&O insurance.

21. other operating expenses

Other operating expenses comprise of:

In thousand Euro	Year ending December 31, 2009			Total
	Ordinary expenses	Restructuring	Impairment	
Sales and marketing	(1,120)	0	0	(1,120)
Research and development	(3,466)	0	0	(3,466)
General and administration	(11,882)	2,141	(1,246)	(10,987)
Total	(16,468)	2,141	(1,246)	(15,573)

In thousand Euro	Year ending December 31, 2008 (restated)			Total
	Ordinary expenses	Restructuring	Impairment	
Sales and marketing	(15,301)	(190)	0	(15,491)
Research and development	(9,725)	168	(1,963)	(11,520)
General and administration	(16,135)	(23,483)	(4,741)	(44,359)
Total	(41,161)	(23,505)	(6,704)	(71,370)

22. personnel expenses

Personnel expenses comprise of:

In thousand Euro	Year ending	Year ending
	December 31, 2009	December 31, 2008 (restated)
Wages and salaries	6,432	20,227
Social security payments	1,283	3,285
Total	7,715	23,512

The Company employed the following employees on a full-time equivalent basis as at December 31, 2009 and as at December 31, 2008, respectively.

	Year ending December 31, 2009	Year ending December 31, 2008 (restated)
In thousand Euro		
Germany	6	249
Armenia	0	207
France	0	32
The Netherlands	1	1
Other	0	18
Total	7	507

23. other operating income

The position basically contains EUR 0.9 million resulting from the release of other accruals.

24. net finance income

The finance income comprises of:

	Year ending December 31, 2009	Year ending December 31, 2008 (restated)
In thousand Euro		
Interest income	1,019	6,153
Finance expenses	0	(92)
Other finance income	1,915	3,095
Net finance income	2,934	9,156

Interest income is earned on the Company's cash and cash equivalents and other investments.

Finance expenses in 2008 completely result from financial liabilities and represent interests paid.

Included in other finance income is an amount of EUR (1.1) million related to foreign exchange losses (2008: EUR 2.8 million) which are compensated by the gain on sale of Yarps Network AB in the amount of EUR 2.0 million plus the corresponding release of the OCI (other comprehensive income) translation reserve of EUR 1.0 million.

25. income taxes

Income tax expenses/benefits recognized include the following:

	Year ending December 31, 2009	Year ending December 31, 2008 (restated)
In thousand Euro		
Current income tax (expenses)/income	(32)	(177)
Deferred tax income/(expenses)	51	518
Income tax	19	341

The income tax expenses differ from the amount computed by using the average statutory rate of the Company and its subsidiaries of 25.5 percent (2008: 25.5 percent) as follows:

	December 31, 2009		December 31, 2008	
	In thousand		In thousand	
	%	Euro	%	Euro
Loss before tax		(12,475)		(51,561)
Income tax using the Company's domestic tax rate	26	3,181	26	13,148
Effect of tax rates in foreign jurisdictions	5	604	5	2,332
Effect of non deductible and non taxable charges	0	0	(13)	(6,539)
Changes in loss carry forwards without recognition of deferred tax assets	(34)	(4,221)	(17)	(8,782)
Tax exemption on disposal activities	4	498	0	0
Other	0	(43)	(0)	182
Taxation on income in statement of comprehensive income	0	19	1	341

Deferred tax assets and liabilities are summarized as follows:

In thousand Euro	December 31, 2009	December 31, 2008	Statement of comprehensive income 2009	Deconsolidation of subsidiaries assets
Deferred tax assets				
Loss carry-forward	0	31	(31)	0
Intangible assets	0	(188)	82	106
Netting	0	157	0	0
Total deferred tax assets	0	0	0	0
Deferred tax liabilities				
Netting	0	157	0	0
Total deferred tax liabilities	0	157	0	0
Net of deferred tax assets and tax liabilities	0	(157)	51	106
Less discontinued operations	0	0	0	0
Consolidated statement of comprehensive income	0	0	51	0

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will be realized in the foreseeable future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The following tables show the tax losses and their maturity:

	December 31, 2009
In thousand Euro	
Tax losses expiring 2010	1,783
Tax losses expiring 2011	70,412
Tax losses expiring 2012 or later	26,400
No expiration date	430,606
Total	529,201

	December 31, 2008
In thousand Euro	
Tax losses expiring 2009	2,283
Tax losses expiring 2010	2,283
Tax losses expiring 2011 or later	98,167
No expiration date	471,579
Total	574,312

Deferred tax assets have not been recognised in respect of the tax losses shown in the table above as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time.

26. earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are similar to basic earnings per share except that the weighted average of common shares outstanding are increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares resulting from options and other potentially dilutive instruments had been issued. The inclusion of options in the calculation of weighted average common shares is anti-dilutive and therefore, there is no difference between basic and diluted earnings per share.

27. subsequent events

Until the date of approval of this annual report there are no material subsequent events to report on.

Haarlem, the Netherlands

February 24, 2010

The Management Board

LYCOS Europe N.V.

Approved by the Supervisory Board of LYCOS Europe N.V.

Haarlem, the Netherlands

February 24, 2010

Dr. Martin Dannhoff (Chairman)

Jörn Caumanns

Juan Rovira de Ossó

García-Alarcón Altamirano

LYCOS Europe N.V.

company financial statements
(part 9 bw 2 of the netherlands civil code

for the year ended december 31, 2009

LYCOS Europe N.V.
company balance sheets

(before proposed appropriation of result)

In thousand Euro	Notes	December 31, 2009	December 31, 2008
Assets			
Intangible fixed assets			
Goodwill	3	0	1,037
Intangible assets, net	3	0	0
Total intangible fixed assets		0	1,037
Financial fixed assets			
Participating interest in group companies	4	7,259	23,696
Other non-current assets	4	5,678	875
Other investments	4,5	0	7,132
Total financial fixed assets		12,937	31,703
Total fixed assets		12,937	32,740
Current assets			
Due from related parties	6	6,441	13,281
Prepaid expenses and other assets		1,334	1,617
Cash and cash equivalents	5	40,110	67,414
Total current assets		47,885	82,312
Total assets		60,822	115,052
Liabilities and shareholders' equity			
Shareholders' equity			
Issued capital		3,123	3,123
Share premium		1,499,541	1,542,009
Treasury shares		(2,052)	(2,052)
Translation reserve		(3,642)	(4,101)
Accumulated deficit		(1,478,411)	(1,425,540)
Unappropriated result		11,907	(52,872)
Total shareholders' equity	8	30,466	60,567
Provisions			
Participating interest in group companies		0	0
Restructuring		3,000	3,000
Total provisions	7	3,000	3,000
Current liabilities			
Due to related parties	6	24,657	50,118
Accounts payable		411	633
Accrued expenses and other current liabilities		2,288	734
Total current liabilities		27,356	51,485
Total liabilities and shareholders' equity		60,822	115,052

The accompanying notes are an integral part of these company financial statements

LYCOS Europe N.V.
company income statements

In thousand Euro	Notes	Year ended	Year ended
		December 31, 2009	December 31, 2008
Result from subsidiaries and equity investments	10	13,954	(56,271)
Other income and expenses after taxes		(2,047)	3,399
Net profit/(loss)		11,907	(52,872)

The accompanying notes are an integral part of these company financial statements

LYCOS Europe N.V.
statement of shareholders' equity

In thousand Euro (except share data)	Notes	Issued capital		Share premium	Treasury shares	
		No. of shares	EUR	EUR	No. of shares	EUR
Balance as at January 1, 2008		312,300,000	3,123	1,588,076	(723,656)	(2,052)
Movement capitalized development expenses				3,941		
Appropriation of the net result of previous year						
Translation loss						
Translation gain on disposal						
Net profit/loss						
Distribution to shareholders				(50,008)		
Balance as at December 31, 2008		312,300,000	3,123	1,542,009	(723,656)	(2,052)
Movement capitalized development expenses						
Appropriation of the net result of previous year						
Translation loss						
Translation gain on disposal						
Net profit						
Distribution to shareholders				(42,468)		
Balance as at December 31, 2009	8	312,300,000	3,123	1,499,541	(723,656)	(2,052)

The accompanying notes are an integral part of these company financial statements

Legal reserve				
Other	Translation reserve	Accumulated deficit	Unappropriated result	Total
EUR	EUR	EUR	EUR	EUR
3,941	(649)	(1,465,594)	40,054	166,899
(3,941)				0
		40,054	(40,054)	0
	(3,452)			(3,452)
			(52,872)	(52,872)
				(50,008)
0	(4,101)	(1,425,540)	(52,872)	60,567
				0
		(52,872)	52,872	0
	1,438			1,438
	(979)			(979)
			11,907	11,907
				(42,468)
0	(3,642)	(1,478,411)	11,907	30,466

LYCOS Europe N.V.

notes to the company financial statements

1. significant accounting policies
2. acquisition and disposal of subsidiaries
3. intangible fixed assets
4. financial fixed assets
5. cash, cash equivalents and other investments
6. due to/from related parties
7. provisions
8. shareholders' equity
9. contingencies and commitments
10. profit/(loss) from subsidiaries and equity investments
11. income taxes
12. remuneration of the management board
13. remuneration of the supervisory board
14. auditor fees

1. significant accounting policies

The registered office of LYCOS Europe N.V. (“LYCOS Europe” or the “Company”) is in Haarlem, the Netherlands (LYCOS Europe N.V., Richard Holkade 36, 2033 PZ Haarlem, the Netherlands).

a. General

The company financial statements are part of the 2009 financial statements of LYCOS Europe N.V. With reference to the company’s statements of comprehensive income of LYCOS Europe N.V. use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

b. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, LYCOS Europe N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of LYCOS Europe N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see note in the consolidated financial statements for a description of these principles.

The share in the result of participating interests consists of the share of LYCOS Europe N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between LYCOS Europe N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

2. acquisition and disposal of subsidiaries

Acquisitions and disposals by the group of subsidiaries of the Company are explained in the notes to the consolidated financial statements.

3. intangible fixed assets

In thousand Euro	Goodwill	Licenses and other rights	Purchased software	Total
Cost				
Balance as at January 1, 2008	879,553	5,188	1,860	886,601
Acquisition/disposal	0	0	0	0
Balance as at December 31, 2008	879,553	5,188	1,860	886,601
Balance as at January 1, 2009	879,553	5,188	1,860	886,601
Disposals	(878,516)	(5,188)	(1,860)	(885,564)
Balance as at December 31, 2009	1,037	0	0	1,037
Amortization and impairment losses				
Balance as at January 1, 2008	(878,516)	(1,400)	(1,860)	(881,776)
Impairment	0	(3,788)	0	(3,788)
Balance as at December 31, 2008	(878,516)	(5,188)	(1,860)	(885,564)
Balance as at January 1, 2009	(878,516)	(5,188)	(1,860)	(885,564)
Disposals	878,516	5,188	1,860	885,564
Impairment	(1,037)	0	0	(1,037)
Balance as at December 31, 2009	(1,037)	0	0	(1,037)
Carrying amounts				
Balance as at December 31, 2008	1,037	0	0	1,037
Balance as at December 31, 2009	0	0	0	0

For the impairment loss on goodwill acquired in business combinations of EUR 1.0 million related to the shopping business we refer to note 7 “Disposal of subsidiaries and assets held for sale” in the consolidated financial statements.

Amortization periods are as disclosed in note 1 of the consolidated financial statements.

4. financial fixed assets

In thousand Euro	Participating interest in group companies	Other long term receivables	Other investments	Total
Balance as at December 31, 2008	23,696	875	7,132	31,703
Movements:				
Capital contributions	8,226	0	0	8,226
Capital repayments	(34,000)			(34,000)
Disposal of subsidiaries	(16,692)	0	0	(16,692)
Result from subsidiaries	13,954	0	0	13,954
Loan receivable	0	(875)	0	(875)
Translation gain	459	0	0	459
Investment/(Divestment)	0	0	(7,132)	(7,132)
Escrow united-domains	0	5,678	0	5,678
Negative net asset value of subsidiaries	11,616	0	0	11,616
Balance as at December 31, 2009	7,259	5,678	0	12,937

Subsidiaries included in participating interest in group companies are disclosed in the consolidated financial statements in note 3.

For other investments reference is made to note 10 of the consolidated financial statements.

5. cash, cash equivalents and other investments

Cash, cash equivalents and other investments comprise the following:

In thousand Euro	December 31, 2009	December 31, 2008
Cash	2,378	5,394
Cash equivalents	35,332	56,520
Other investments due within one year	2,400	5,500
Other investments due after one year	0	7,132
Total	40,110	74,546

An amount of EUR 4.1 million and EUR 7.6 million is restricted in use as at December 31, 2009, and December 31, 2008, respectively. An amount of EUR 0.0 million and 2.1 million of the restricted cash is non-current as at December 31, 2009, and December 31, 2008, respectively. The restricted cash serves as collateral for financial liabilities.

Cash consists of bank balances and call deposits, cash equivalents consist of short-term deposits with an original and remaining maturity of less than three months and other investments consist of bonds and deposits.

6. due to / from related parties

In thousand Euro	December 31, 2009	December 31, 2008
Due from related parties	65,091	60,667
Subordinated loan to related parties	13,117	13,117
Accrued interest on subordinated loan	2,749	2,397
Due to related parties	(24,657)	(50,118)
Negative net asset value of subsidiaries	(74,516)	(62,900)
Total, net	(18,216)	(36,837)

7. provisions

In thousand Euro	Provisions
Balance at January 1, 2008	0
Provisions made during the year 2008	3,000
Balance at December 31, 2008	3,000
Balance at January 1, 2009	3,000
Provisions made during the year 2009	0
Balance at December 31, 2009	3,000

8. shareholders' equity

Issued capital

The Company's Class AA and AB shares have been issued as registered shares. These registered shares carry special voting and binding nomination rights. Of the shareholders, only holders of Class AA and AB registered shares have also the right to make binding nominations of the Management Board and the Supervisory Board as well as for the positions of Chairman and Deputy Chairman of the Supervisory Board.

The Class AA shares have a par value of EUR 0.01. Of the 250,000,000 shares authorized, 62,000,000 are issued and outstanding on December 31, 2009, and December 31, 2008. These shares are owned by the LE Holding Corp., a company fully owned by Telefónica SA.

The Class AB shares have a par value of EUR 0.01. Of the 250,000,000 shares authorized, 62,000,000 are issued and outstanding on December 31, 2009, and December 31, 2008. These shares are owned by Reinhard Mohn GmbH (24,347,400), Fireball Internet GmbH (14,260,000) and Christoph Mohn Internet Holding GmbH (23,392,600), also initial shareholders and founders of the Company.

The Class B shares have a par value of EUR 0.01. Of the 500,000,000 shares authorized, 188,300,000 are issued on December 31, 2007, and December 31, 2006, respectively, and 187,576,344 are outstanding on December 31, 2009, and December 31, 2008, respectively.

Unappropriated result

The General Meeting of Shareholders will be informed about the appropriation of the 2009 profit after tax in the amount of EUR 11.9 million to be added to the other reserves.

Stock options

In fiscal year 2000, the Company approved a stock option plan ("the Plan"). Under the terms of the Plan, the Company may grant up to 10 million options to purchase shares of the Company. Options are generally granted for a period of eight years. These options were granted to the employees as an additional incentive to the usual salary payments. Intention of the management was to achieve a higher identification of the employees with the Company. As of December 31, 2009 all options are expired. The number of outstanding options equals zero.

9. contingencies and commitments

Guarantees

The Company has issued letters of guarantee and support to several of its subsidiaries. Furthermore the Company has issued several guarantees to its suppliers and its subsidiaries suppliers during the ordinary course of its business. Guarantees outstanding as at December 31, 2009 amount to EUR 0.9 million.

Joint and several liability

In accordance with article 403 Book 2 of the Netherlands Civil Code the Company has assumed joint and several liability for all legal transactions carried out by its Dutch group company LYCOS Netherlands B.V.

Fiscal unity

LYCOS Europe N.V., LYCOS Netherlands B.V. and LYCOS Europe B.V. form a fiscal unity for corporate tax; the standard conditions stipulate that each of the companies is liable for the corporation tax payable by all companies belonging to the fiscal entity.

Litigation

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. LYCOS Europe is currently not aware of any legal proceeding or claim that the Company believes will have, individually or in the aggregate, a materially adverse effect on the Company's financial position, results of operations or cash flows.

On August 4, 2008 our shareholder LE Holding Corporation, a subsidiary of Telefonica S.A., filed an application for an inquiry into the policy and conduct of business of LYCOS Europe N.V. at the Enterprise Chamber of the Amsterdam Court of Appeal (Enterprise Chamber). Having heard the case, the Enterprise Chamber has dismissed all requests made by LE Holding Corporation in its ruling of February 17, 2009.

Indemnity and insurance

The Company shall indemnify and hold harmless each member of the Supervisory Board in accordance with Article 26.A of the Articles of Association of the Company. For this purpose, the Company has contracted a D&O insurance.

10. results from subsidiaries and equity investments

This concerns the share of LYCOS Europe N.V. in the results of its participating interests, of which an amount of EUR 14.0 million (2008: EUR (56.3) million) concerns to group companies.

11. income taxes

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. On December 31, 2009, and December 31, 2008, the Company's operating tax loss carry-forwards amount to approximately EUR 81.5 million and EUR 86.1 million, respectively. EUR 70.1 million of these loss carry-forwards expire after 2011, EUR 5.5 million expire after 2012, and EUR 1.2 million expire after 2013. All remaining losses carry-forwards expire after 2013.

12. remuneration of the management board

Mr Mohn, only member of the management board resigned as of 28 May 2009 and was succeeded by Mr Wilsdorf. Accordingly this section needs to consider the period before and after that date.

Before 28 May 2009

Remuneration package

Every year, the Supervisory Board fixes the remuneration package of the members of the Management Board as of 01 January. The Supervisory Board decided to keep Mr Mohn's remuneration package unchanged for 2009.

Fixed annual salary and short-term incentive (bonus)

Management Board members receive a fixed annual salary that is in line with their position in the Company as soon as they join the Board. The fixed salary is adjusted on January 1 of every year. In addition, an annual performance-based bonus is fixed and reviewed after completion of the annual report for the respective fiscal year by the Supervisory Board. The bonus consists of a target/plan bonus and a total maximum bonus. The bonus payment is subject to achievement of financial (EBIT result vs. business plan) and strategic (market share development) performance targets. In 2009 and in accordance with its standing policies the Supervisory Board has decided to grant no bonus to the CEO, Mr Mohn, for the fiscal year 2008. Upon his resignation Mr Mohn waived his potential claim for a partial bonus for 2009.

The fixed annual salaries and bonuses for 2008 and 2009 of Mr Mohn were as follows:

In thousand Euro	Fixed annual salary		Bonus	
	2009	2008	2009 ⁶	2008 ⁷
Christoph Mohn	125	310	none	none

6 Based on the result achieved in 2009 and therefore determinable and payable in 2010.

7 Bonus paid in 2009 based on the results achieved in 2008.

Shares

Christoph Mohn owns 8,333 shares in the Company. Christoph Mohn Internet Holding GmbH (100 percent held by Christoph Mohn) owns 37,730,000 shares in the Company as of December 31, 2009.

As of 28 May 2009

Remuneration package

The Supervisory Board fixed the remuneration package for Mr Wilsdorf as of 28 May 2009.

Fixed annual salary and short-term incentive (bonus)

The Management Board members receive a fixed annual salary that is in line with their position in the Company as soon as they join the Board. The fixed salary is adjusted on January 1 of every year. In addition, an annual performance-based bonus is fixed and reviewed after completion of the annual report for the respective fiscal year by the Supervisory Board. The bonus consists of a target/plan bonus and a total maximum bonus. The bonus payment is subject to achievement of goals set out in the Remuneration Policy which is available on the corporate information portal of the Company. Certain elements of the Remuneration Policy have to be interpreted according to the current shutdown process. The cornerstones of this interpretation have been summarized in the Annex Remuneration Policy which is also available on the corporate information portal of the Company.

The fixed annual salaries and bonuses for 2009 of the Management Board were as follows:

In thousand Euro	Fixed annual salary		Bonus	
	2009	2008	2009 ⁸	2008
Fred Wilsdorf	144	0	30	0

8 Based on the result achieved in 2009 and therefore determinable and paid in 2009.

Long-term incentive

As set out in the Annex Remuneration policy the long-term goals and the short-term goals both focus on the efficient shutdown of the company. This is also the main benchmark for the determination of the bonus as set out above.

Shares

Fred Wilsdorf does not own any shares in the Company.

Total remuneration

The total remuneration of Management Board members in 2009 amounted to EUR 0.3 million (2008: EUR 0.3 million). Former members of the Management Board did not receive any remuneration in 2009 and 2008.

13. remuneration of the supervisory board

Remuneration package

No member of the Supervisory Board received remuneration in respect of their function as member of the Supervisory Board of the Company in 2009 and 2008. Former members of the Supervisory Board did not receive any remuneration in 2009 and 2008.

Options/shares

No share options rights in the Company are granted to or acquired by members of the Supervisory Board. No member of the Supervisory Board of LYCOS Europe N.V. holds shares in the Company.

14. auditor fees

The fees paid to the Company's external auditor are as follows:

In thousand Euro	2009	2008
Audit services (fee)		
Audit	416	620
Tax services	65	61
	481	681
Non-audit services		
Other	77	117
	558	798

Haarlem, the Netherlands
February 24, 2010

The Management Board
LYCOS Europe N.V.

Dr. Fred Wilsdorf

Approved by the Supervisory Board of LYCOS Europe N.V.

Haarlem, the Netherlands,

February 24, 2010

Dr. Martin Dannhoff (Chairman)

Jörn Caumanns

Juan Rovira de Ossó

García-Alarcón Altamirano

other Information

Class AA shares and Class AB shares

The Company's Class AA and AB shares have been issued as registered shares. These registered shares carry special voting and binding nomination rights. Of the shareholders, only holders of Class AA and AB registered shares have also the right to make binding nominations of the Management Board and the Supervisory Board as well as for the positions of Chairman and Deputy Chairman of the Supervisory Board.

The Class AA shares are owned by LE Holding Corp., a company fully owned by Telefónica SA.

The Class AB shares are owned by Reinhard Mohn GmbH (24,347,400), Fireball Internet GmbH (14,260,000) and Christoph Mohn Internet Holding GmbH (23,392,600).

Profit appropriation provision

The appropriation of profits takes place in accordance with Article 37 of the Articles of Association. The Company's policy on reserves and dividends is determined and can be amended by the Supervisory Board upon proposal of the Management Board. The allocation of profits remaining after allocation to reserves is determined by the Management Board, with the approval of the Supervisory Board. Amounts can be withdrawn from the distributable reserves by virtue of a resolution of the Management Board which has been approved by the Supervisory Board.

Appropriation of result for the year 2009

The General Meeting of Shareholders will be informed about the appropriation of the 2009 profit after tax in the amount of EUR 11,907 thousand to the other reserves/accumulated deficit.

Independent Auditor's Report

We refer to the accompanying Independent Auditor's Report as set forth on the following page.

Independent Auditor's Report

To: The Annual General Meeting of Shareholders of LYCOS Europe N.V.

Auditors' report**Report on the financial statements**Introduction

We have audited the accompanying 2009 financial statements of LYCOS Europe N.V., Haarlem, the Netherlands, as set out on pages 22 to 88. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statements of comprehensive income, shareholders' equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company income statement and the company statement of shareholders' equity for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report to the shareholders in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of LYCOS Europe N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of LYCOS Europe N.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report to the shareholders is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, the Netherlands

February 24, 2010

KPMG Accountants N.V.

M. Tubbergen RA

quarterly financial information
(unaudited)

In thousand Euro (except per share data)	Quarter ended March 31, 2006	Quarter ended June 30, 2006	Quarter ended September 30, 2006	Quarter ended December 31, 2006
Revenues	18,311	23,273	17,408	23,388
EBITDA ¹	(834)	777	(3,379)	(1,192)
EBIT ²	(2,336)	(718)	(4,853)	(5,231)
Net profit/(net loss)	(2,032)	(242)	9,144	(5,166)
Net profit/(net loss) per share basic and diluted in Euro	(0.01)	0.00	0.03	(0.02)

In thousand Euro (except per share data)	Quarter ended March 31, 2007 (restated) ²	Quarter ended June 30, 2007 (restated) ²	Quarter ended September 30, 2007 (restated) ²	Quarter ended December 31, 2007 (restated) ²
Revenues	9,737	10,119	8,750	8,793
EBITDA ¹	(2,926)	(6,122)	(4,106)	(2,333)
EBIT ²	(3,778)	(11,209)	(4,762)	(3,904)
Net profit/(net loss)	7,610	41,078	(4,619)	(4,015)
Net profit/(net loss) per share basic and diluted in Euro	(0.01)	0.18	(0.01)	(0.00)

In thousand Euro (except per share data)	Quarter ended March 31, 2008 ²	Quarter ended June 30, 2008 ²	Quarter ended September 30, 2008 ²	Quarter ended December 31, 2008 ²
Revenues	6,661	6,341	4,998	4,842
EBITDA ¹	(7,229)	(6,694)	(8,877)	(29,158)
EBIT ²	(7,866)	(7,223)	(9,403)	(36,225)
Net loss	(5,850)	(3,901)	(7,395)	(35,725)
Net loss per share basic and diluted in Euro	(0.02)	(0.01)	(0.02)	(0.11)

In thousand Euro (except per share data)	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended September 30, 2009	Quarter ended December 31, 2009
Revenues	1,158	2,203	34	(133)
EBITDA ¹	(8,433)	(4,190)	(1,689)	0,296
EBIT ²	(9,541)	(4,405)	(1,703)	0,237
Net profit	16,960	(5,924)	(2,831)	3,698
Net profit/(net loss) per share basic and diluted in Euro	0.05	(0.02)	(0.01)	0.01

1 EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment, EBIT is Earnings Before Interest and Taxes.

2 2008 includes the continued business and 2007 has been restated for the effect on income statement of the discontinued operations Jubii Denmark, united-domains and Shopping (without Pangora SAS).

report of the supervisory board

The Management Board of LYCOS Europe N.V. kept the Supervisory Board well informed about the status of the shut-down process of the Company during the period under its review, January 1, 2009, to December 31, 2009. The course of business and the progress of the foresaid process was discussed on the basis of monthly reports, as well as specific reports on the discussions with potential buyers for assets, business units and entities. The Supervisory Board held four meetings. In the course of these meetings the report of the Management Board always comprised of a detailed description of the active business of the Company and the foresaid process covering the strategy and relevant risks. In three of these Meetings the Management Board employed its Investment Bank to present its view on the process. The Supervisory Board was thus able to conclude that business was being managed properly.

Summary of the shutdown process

A number of asset deals and share deals helped the company to gain proceeds as well as to reduce the complexity as well as potential risks. The shareholders were able to profit directly from the success of the Company by the capital repayment of 92.5 million EUR (2009: EUR 42.5 million; 2008: EUR 50.0 million).

Changes to the Management Board and the Supervisory board

Next to the changes to its strategy in 2008 and the enormous number of actions the Company had to take (see the above paragraph) the Company had to cope with a change in the management and to the structure and composition of the Supervisory Board.

The size of the Supervisory Board was reduced from six directors to four directors and the Supervisory Board decided that the institution of an audit committee and a remuneration committee was no longer sensible. As of May 28, 2009 the Supervisory Board itself took over the responsibilities of these committees.

Furthermore the composition of the Management Board of the company changed. Mr Mohn resigned from his office and was succeeded by Mr Wilsdorf as of May 28, 2009.

I would like to take this opportunity to thank the Supervisory Board Directors Mr Richter, Mr Buch, Mr Bohnert, Mr Velo Puig-Durán and Mr Rodriguez-Viña for their long-lasting support and engagement for the company. I would also like to take the opportunity to thank the former CEO Mr Mohn for his commitment. I would also like to stress that all the challenges the Company mastered in 2009 give reason to be optimistic with regard to the upcoming tasks.

Activities of the Supervisory Board

LYCOS Europe's Supervisory Board's responsibility is to supervise the policy of the Company's Management Board and the general affairs of LYCOS Europe and its business as well as to assist the Company's Management Board by providing advice. In doing so, LYCOS Europe's Supervisory Board is guided by the Company's interests and takes into account the relevant interests of its stakeholders. LYCOS Europe's Supervisory Board is responsible for the quality of its own functioning. The Supervisory Board was involved in resolutions as and where required by the Company's Articles of Association and By-Laws.

We specifically discussed with regard to the shutdown process of the Company and lent it our unreserved support. We also discussed the Company's internal risk management and control systems. The risk management focused on the financial policy of the Company. Together with the Management Board the Supervisory Board ensured that the financial reserves of the Company were invested in a secure manner. Further the Supervisory Board reviewed the current legal claims of and against the Company and its affiliates.

During 2009, the Supervisory Board met four times on a regular basis. As part of its efforts in the field of corporate governance the Supervisory Board has decided to meet once a year without the Management Board being present to discuss the functioning of the Supervisory Board and of the members of the Management Board. In 2009, a meeting of this kind took place in November. Furthermore, the Chairman of the Supervisory Board is regularly discussing actual business developments with the CEO.

Audit Committee

During 2007, the Supervisory Board constituted an Audit Committee, which was chaired by Mr. Rovira de Ossó and which further consisted of Mr. Buch and Mr. Richter. A further explanation on the purpose and functioning of the Audit Committee can be found in the Corporate Governance section of this annual report on page 13. During 2009, the Audit Committee met once in February. During this meeting the Audit Committee reviewed and discussed inter alia the annual accounts 2008. The External Auditor reported to the Audit Committee after which there was a discussion with the External Auditor without the Management Board present.

After the size of the Supervisory Board was reduced from six Directors to four Directors the Supervisory Board decided that the institution of such a committee was no longer sensible. As of May 28, 2009 the Supervisory Board itself took over the responsibilities of the Audit Committee. The corporate documents have been amended accordingly.

Remuneration Committee

Also during 2007 the Supervisory Board constituted a Remuneration Committee which was chaired by Mr. Bohnert and which further consists of Mr. Rovira de Ossó and Mr. Richter. The Remuneration Committee met twice in February 2009 and in May in 2009.

After the size of the Supervisory Board was reduced from six Directors to four Directors the Supervisory Board decided that the institution of such a committee was no longer sensible. As of May 28, 2009 the Supervisory Board itself took over the responsibilities of the Remuneration Committee. The corporate documents have been amended accordingly.

Remuneration of Management Board members

Until May 28, 2009 Mr. Mohn held the position as CEO of the company. Up until then the bonus payment for the Management Board members is subject to achievement of financial (EBIT result vs. business plan) and strategic (market share development) performance targets. These performance criteria were chosen as they reflected the main concerns of our former business.

In 2009 and in accordance with its standing policies the Supervisory Board has decided to grant no bonus to the CEO, Mr. Mohn, for the fiscal year 2008 as the targets have not been met. Upon his resignation Mr Mohn waived his potential claim for a partial bonus for 2009.

After May 28, 2009 he was succeeded by the former CFO Dr. Fred Wilsdorf. Dr. Wilsdorf's remuneration includes a variable component. The payment of this component is linked to the success of the CEO to shape the shutdown process for the benefit of the shareholders. This success is defined by (1) optimizing the utilization of the assets of the company (2) cost efficiency during the process.

Dr. Wilsdorf's employment contract with LYCOS Europe GmbH under German law establishes a notice period of three months for the company.

Furthermore, the Supervisory Board has defined a remuneration policy for the remuneration of members of our Management Board during 2005 and thereafter which has been adopted at our 2005 Annual General Meeting of Shareholders. The Remuneration Policy can be found on the corporate information portal of the Company. Certain elements of the Remuneration Policy have to be interpreted according to the current shutdown process. The cornerstones of this interpretation have been summarized in the Annex Remuneration Policy which is also available on the corporate information portal of the Company.

The financial statements included in this annual report were drawn up by the Management Board, and audited by KPMG Accountants N.V., who have given an unqualified opinion. The Supervisory Board has approved the annual report, including the financial statements. The financial statements will be submitted for shareholder approval at the Annual General Meeting of Shareholders. We recommend to our shareholders that they adopt the financial statements.

Haarlem, the Netherlands

February 24, 2010

Dr. Martin Dannhoff

Chairman of the Supervisory Board

supervisory board

(during the year ended december 31 , 2009)

Prof. Dr. Jürgen Richter (1941, German national)

- Chairman of the Supervisory Board for the whole year ended December 31, 2009
- Chairman of the Supervisory Board BRW AG, Brunswick (Finance Company)
- Member Advisory Board KoelnMesse GmbH, Cologne
- Member of the Supervisory Board since November 30, 2001 until December 31, 2009 (resignation)

Dr. Martin Dannhoff (1962, German national)

- Corporate Counsel for Bertelsmann AG.
- Member of the Supervisory Board since May 28, 2009, current term ending in 2013
- Chairman of the Supervisory Board since January 1, 2010

Juan Rovira de Ossó (1955, Spanish national)

- Deputy General Manager of Telefónica S.A.
- Member of the Board of Geonet Territorial, S.A.
- Managing Director of Terra LYCOS Holding, B.V.
- Member of the Supervisory Board since November 30, 2001, current term ending in 2010

Francisco Borja García-Alarcón Altamirano (1970, Spanish national)

- Director of Subsidiaries (Corporate Finance) Telefónica S.A.
- Member of the Board of Atento H.I.T. S.A.U (Holding company of the Atento Group).
- Member of the Board of Torre de Collserola, S.A.
- Member of the Board of Banco Inversis, S.A.
- Member of the Supervisory Board since May 28, 2009, current term ending in 2013

(member as of January 01, 2010)

Jörn Caumanns (1974, German national)

- Senior Vice President M&A, Bertelsmann AG.
- Member of the Supervisory Board since January 01, 2010, current term ending in 2014

(members resigned May 28, 2009)

Dr. Dieter Ulrich Bohnert (1948, German national)

- Senior Partner Heuking Kühn Lüer Wojtek
- Member of the Supervisory Board of APO Data-Service GmbH
- Member of the Supervisory Board of Schneider Electric GmbH
- Member of the Supervisory Board from November 30, 2001 until May 28, 2009 (resignation)

Rolf Eberhard Buch (1965, German national)

- Chairman of the Executive Board of arvato AG and directorships of arvato affiliates
- Member of the Executive Board of Bertelsmann AG
- Member of the Supervisory Board from May 22, 2003 until May 28, 2009 (resignation)

Elías Rodríguez-Viña (1960, Spanish national)

- Member of the Supervisory Board until May 28, 2009 (resignation)
- Senior Partner at CONFIVENDIS since April 1, 2008
- Member of the Board of Directors of Boomerang TV since April 1, 2008
- Member of the Supervisory Board from May 24, 2006 until May 28, 2009 (resignation)

Luis Velo Puig-Durán (1960, Spanish national)

- Member of the Supervisory Board until May 28, 2009 (resignation)
- Member of the Steering Committee of Telefónica Contenidos S.A.U.
- CEO of Televisión Federal S.A Argentina since July, 2008.
- Member of the Supervisory Board from May 18, 2004 until May 28, 2009 (resignation)

LYCOS Europe N.V.

Richard Holkade 36
2033 PZ Haarlem
The Netherlands

Email: contact@lycos-europe.com

Web: www.lycos-europe.com