



LYCOS Europe N.V

interim report 2009

for the six months ended June 30, 2009



key figures

| | | Six months ended June 30, 2009 ¹ | Six months ended June 30, 2008 (restated) ¹ | Change |
|--|------------|---|---|--------|
| Revenues | in mln EUR | 3.4 | 13.0 | (74%) |
| EBITDA ² | in mln EUR | (12.6) | (13.9) | 9% |
| EBIT ² | in mln EUR | (13.9) | (15.1) | 8% |
| Net profit/(loss) | in mln EUR | 11.0 | (9.8) | ∞100% |
| Shares (total outstanding) ³ | number | 312,300,000 | 312,300,000 | 0% |
| Earnings/loss per share (diluted and undiluted) | in EUR | 0.04 | (0.03) | ∞100% |
| Share price (Xetra) | in EUR | 0.07 | 0.42 | (83%) |

| | | Six months ended June 30, 2009 ¹ | Year ended December 31, 2008 | Change |
|---|------------|---|------------------------------------|--------|
| Cash, cash equivalents and other investments | in mln EUR | 47.4 | 76.1 | (38%) |
| Cash ratio (Cash, cash equivalents and other investments/total liabilities) | number | 1.7 | 1.6 | 6% |
| Shareholders' equity | in mln EUR | 36.6 | 60.6 | (40%) |
| Equity ratio (Shareholders' equity/total assets) | in percent | 57.1 | 56.0 | 2% |
| Employees ⁴ | number | 136 | 501 | (73%) |

| | | Three months ended June 30, 2009 ¹ (unaudited) | Three months ended June 30, 2008 (unaudited) | Change |
|--|------------|--|---|--------|
| Revenues | in mln EUR | 2.2 | 6.3 | (65)% |
| EBITDA ² | in mln EUR | (4.2) | (6.7) | 37% |
| EBIT ² | in mln EUR | (4.4) | (7.2) | 39% |
| Net profit/(loss) | in mln EUR | (5.9) | (3.9) | (51)% |
| Shares (total outstanding) | number | 312,300,000 | 312,300,000 | 0% |
| Earnings/loss per share (diluted and undiluted) | in EUR | (0.02) | (0.01) | (100)% |

1 2009 includes the continued business and 2008 has been restated for the effect on income statement of the discontinued operations united-domains and Shopping.

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.

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21 Quarterly Financial Information

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,

In the six months period we were able to speed up the shutdown process by adopting several strategic decisions and taking other important steps.

All products and services except for shopping were terminated during the period under review. The intelligent search Lycos iQ was transferred to Hubert Burda Media and an agreement was entered with Lycos Inc. to sell back the licensed brands (LYCOS, Tripod, Angelfire and Hotbot) to Lycos Inc. The purchase price of united-domains has eventually been determined and was valued EUR 34.1 million. Altogether more than 92 percent of the nearly 600 contracts and agreements were already terminated.

For employees in Germany a social compensation plan and balance of interests was concluded with the workers' council. All employment contracts were canceled in March 2009. At present there is only a small staff remaining at the specific branches and subsidiaries to ensure a proper windup.

Another capital repayment of EUR 35 million was distributed to our shareholders and the change of segments at the German stock exchange came effective by the middle of June.

Considering the limited scope of the further activities of the company, the size of the supervisory board was reduced to four members. Long time CEO Christoph Mohn resigned and I have succeeded him as the new managing director and CEO.

The liquidation of subsidiaries in different countries still proceeds as the search for a buyer for the shopping unit Pangora continues while looking at other options.

Dr. Fred Wilsdorf
Chief Executive Officer



economic development

The 2009 Interim Financial Statements includes the continued business and 2008 has been restated for the effect on income statement of the discontinued operations united-domains AG and Shopping.

Result analysis

Revenues

LYCOS Europe's revenues for the six months ended June 30, 2009 were EUR 3.4 million compared to EUR 13.0 million as of June 30, 2008. By the middle of February most products and services were terminated.

EBITDA

During the six months of 2009, the EBITDA amounted to EUR (12.6) million compared to EUR (13.9) million in the same period in 2008.

Mainly due to the decreasing revenues the gross profit of EUR (1.0) million for the six-month period ended June 30, 2009 decreased by EUR 7.3 million compared to EUR 6.3 million for the reference period in 2008.

The total operating expenses decreased by EUR 7.9 million to EUR 13.8 million.

Ordinary sales and marketing expenses fell by EUR 5.8 million during the six months ended June 30, 2009 compared to the same period in 2008. Ordinary research and development costs decreased by EUR 1.4 million compared to 2008. Ordinary general and administration expenses fell by EUR 0.7 million.

Financial Result

The net finance income amounted to EUR 0.7 million generated during the six months of 2009 compared to EUR 3.2 million for the reference period in 2008.

Net Result

Profit from discontinued operations amounted to EUR 24.2 million compared to EUR 2.3 million in the previous year. The result was mainly due to the gain on the sale of united-domains AG.





This resulted in a net profit of EUR 11.0 million for the six months ended June 30, 2009 compared to a net loss of EUR (9.8) million in the prior year.

The earnings per share for the six months of 2009 were EUR 0.04 compared to EUR (0.03) for the six months of 2008.

Balance Sheet Analysis

Total assets decreased from EUR 108.2 million as of December 31, 2008 to EUR 64.1 million as of June 30, 2009. Cash, cash equivalents and other investments decreased to EUR 47.4 million as of June 30, 2009 compared to EUR 76.1 million as of December 31, 2008. A negative operating cash flow in addition to a repayment of additional paid-in capital led to the decrease despite of the positive cash effect on the sale of united-domains AG.

Total liabilities as of June 30, 2009 declined to EUR 27.5 million compared to EUR 47.6 million as of December 31, 2008. This is mainly the result of reduction of the restructuring provision.

The above yields a cash ratio of 1.7 (cash, cash equivalents and other investments divided by total liabilities).

Cash Flow Analysis

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



the share

The share price developed mostly parallel to the general market trend over the course of five months before the share was listed as ex-share premium as a result of the second capital repayment that took place in May.

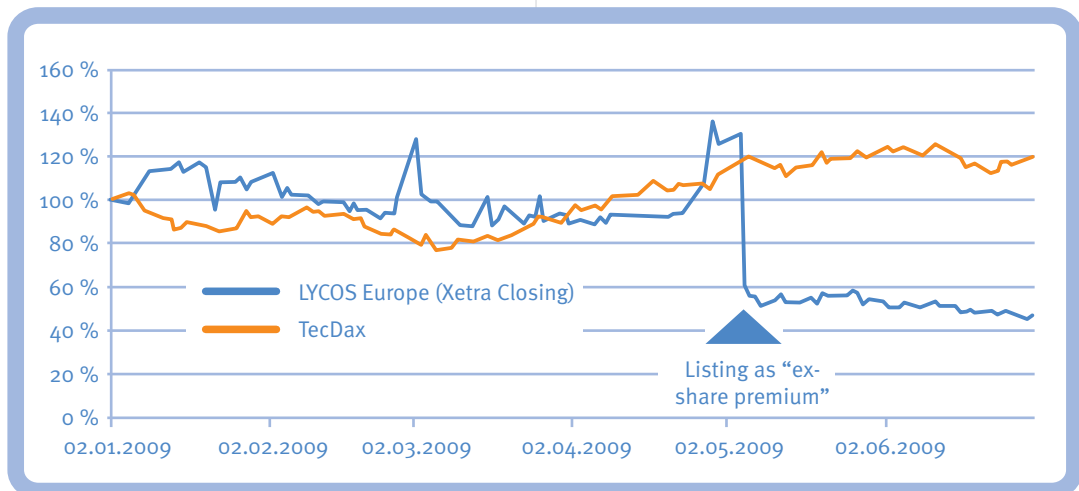
While the TecDax gained 19% the LYCOS share had to face a decline of 53% that reflects the above mentioned capital repayment as well as the advanced state of the shutdown process.

The highest share price of EUR 0.20 was reached on April 29, 2009. The lowest quotation was EUR 0.067 on June 29, 2009.

The average trading volume was 629,473 per day (XETRA).

HSBC Trinkaus & Burkhardt served as a designated sponsor in the six months period.

LYCOS Europe-Share (Xetra Closing) vs. TecDax



Annual Shareholders Meeting

At the Annual General Meeting of LYCOS Europe that took place in Amsterdam 28 May 2009 64.20 percent of the 311,576,344 ordinary voting shares were represented.

The Annual General Meeting established the annual financial statement 2008. KPMG Accountants N.V., Amstelveen, was appointed as auditors for the 2009 financial year. The General Meeting of shareholders released the Supervisory Board and the Management Board from liabilities for their duties for the financial year 2008. Further the company was authorized to repurchase shares. The Articles of Association have also been adapted to the new company situation and to new legal requirements.

After the resignation of Christoph Mohn Dr. Fred Wilsdorf was appointed as the new managing director and CEO.

Considering the limited scope of the further activities of the Company, the Supervisory Board will consist of four members in future. Former Supervisory Board members Rolf Eberhard Buch, Dr. Dieter Ulrich Bohnert, Luis Velo Puig-Durán and Elias Rodriguez-Viña resigned as Supervisory Board Directors as of May 28, 2009. Dr. Martin Dannhoff and Francisco Borja García-Alarcón Altamirano have been appointed as new Supervisory Board directors.

The Chairman of the Supervisory Board Prof. Dr. Jürgen Richter will resign as of January 1, 2010. Jörn Caumanns has been appointed as new Supervisory Board director effective January 1, 2010.

Change of Segments at German Stock Exchange

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

Delisting at NYSE Euronext Paris

As the shutdown process proceeds LYCOS Europe is forced to reduce administrative efforts and costs. Therefore the company strives for a delisting at the French stock exchange NYSE Euronext Paris by the end of January 3, 2010.

LYCOS Europe shares remain listed at the German stock exchange for an indefinite time.

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 June 30, 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 June 30, 2009.



Shareholder Structure

| | Number of shares as of June 30, 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% |
| Bertelsmann Internet Holding 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 LYCOS Europe N.V. | 37,730,000 | 12.1% | 12.1% | 37,730,000 | 12.1% | 12.1% |
| (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% |

employees

After a social compensation plan and balance of interests was concluded with the workers' council all employment contracts of employees working at the German Office were canceled. More than 60 percent of the staff was released by April 1, 2009 already. A small remaining staff ensures a proper shutdown process.

Currently five employees are still working at the Armenian branch that will be shutdown by the end of September 2009.

The only remaining employees at the UK office have left by the end of July 2009.

The majority of employees has left the French subsidiary.

risks and uncer- tainties

In our annual report 2008 we have extensively described certain risk categories and risk factors which could have a material adverse effect on our financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

Additionally the risk of a further deterioration of market circumstances may impact the success of selling our business operations currently held for sale and therefore potentially impede the sale of the shopping business (Pangora).



outlook

LYCOS Europe will strive to find a buyer for the shopping business (Pangora) while looking at other options.

Beyond that LYCOS Europe continues winding up the subsidiaries.

A specific date when the entire company will be shut down cannot be estimated at present.

Haarlem, the Netherlands

August 4, 2009

The Management Board

LYCOS Europe N.V.

responsibility statement

The Management Board is responsible for preparing the financial statements and the half-year 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 as well as interim reports, 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 judgements 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.

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 the best of its knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and the profit or the loss of LYCOS Europe N.V. and the companies included in the consolidation; and
- The half-year report gives a true and fair view of the anticipated state of affairs, in particular providing information about the investments and the circumstances on which the development of turnover and profitability depend to the extent that providing this information is not contrary to the company's best interests.

Management Board

Dr. Fred Wilsdorf, CEO LYCOS Europe N.V.



unaudited condensed consolidated interim financial statements

LYCOS Europe N.V.

unaudited condensed consolidated
interim financial statements

for the period ended June 30, 2009

LYCOS Europe N.V.
unaudited condensed consolidated interim
statements of financial position

| In thousand Euro | Notes | June 30, 2009 | December 31, 2008 |
|---|-------|------------------|----------------------|
| Assets | | | |
| Property, plant and equipment | | 33 | 124 |
| Intangible assets | | 114 | 55 |
| Other investments | | 0 | 7,132 |
| Other non-current assets | | 7,089 | 977 |
| Total non-current assets | | 7,236 | 8,288 |
| Cash and cash equivalents | | 33,226 | 63,464 |
| Other investments | | 14,132 | 5,500 |
| Accounts receivable and other receivables | | 5,276 | 6,645 |
| Prepaid expenses and other current assets | | 1,158 | 6,009 |
| Assets classified as held for sale | | 3,072 | 18,245 |
| Total current assets | | 56,864 | 99,863 |
| Total assets | | 64,100 | 108,151 |
| Shareholders' equity and liabilities | | | |
| Share capital | | 3,123 | 3,123 |
| Share premium | | 1,507,019 | 1,542,009 |
| Treasury shares | | (2,052) | (2,052) |
| Translation reserve | | (4,107) | (4,101) |
| Accumulated deficit | | (1,478,411) | (1,425,540) |
| Unappropriated result | | 11,040 | (52,872) |
| Total shareholders' equity attributable to equity holders of the Company | | 36,612 | 60,567 |
| Deferred tax liabilities | | 0 | 157 |
| Total non-current liabilities | | 0 | 157 |
| Accounts payable | | 2,714 | 5,291 |
| Restructuring provision | | 12,967 | 23,440 |
| Other short-term liabilities | | 8,888 | 12,855 |
| Liabilities classified as held for sale | | 2,919 | 5,841 |
| Total current liabilities | | 27,488 | 47,427 |
| Total liabilities | | 27,488 | 47,584 |
| Total shareholders' equity and liabilities | | 64,100 | 108,151 |

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

LYCOS Europe N.V.
 unaudited condensed consolidated interim statements
 of comprehensive income

| | Notes | Six months ended June 30, 2009 | Six months ended June 30, 2008 Restated* | Three months ended June 30, 2009 | Three months ended June 30, 2008 Restated* |
|---|-------|--------------------------------|--|----------------------------------|--|
| In thousand Euro (except share data) | | | | | |
| Advertising | | 455 | 6,759 | 1,158 | 3,468 |
| Paid services and shopping | | 1,631 | 5,439 | 410 | 2,557 |
| Other | | 1,274 | 805 | 634 | 316 |
| Total revenues | | 3,360 | 13,003 | 2,203 | 6,341 |
| Cost of revenues | | (4,356) | (6,739) | (1,262) | (3,270) |
| Gross profit (loss) | | (996) | 6,264 | 941 | 3,071 |
| Sales and marketing | 6 | (2,431) | (8,266) | 26 | (4,073) |
| Research and development | 6 | (4,509) | (5,857) | (1,715) | (2,737) |
| General and administration | 6 | (6,869) | (7,585) | (3,640) | (3,691) |
| Other operating income/expenses | | 859 | 354 | (17) | 207 |
| Total operating expenses | | (12,950) | (21,353) | (5,346) | (10,294) |
| Loss from operations | | (13,946) | (15,089) | (4,405) | (7,223) |
| Finance income | | 717 | 3,233 | 39 | 1,755 |
| Other finance income (expense) | | 0 | 0 | 0 | 0 |
| Net finance income | | 717 | 3,233 | 39 | 1,755 |
| Loss before tax | | (13,229) | (11,856) | (4,366) | (5,468) |
| Income tax benefit (expenses) | | 18 | (169) | 42 | (95) |
| Loss after tax | | (13,211) | (12,025) | (4,324) | (5,563) |
| Profit from discontinued operations (net of income tax) | | 24,251 | 2,273 | (1,600) | 1,662 |
| Net profit/(loss) for the period attributable to equity holders of the Company | | 11,040 | (9,751) | (5,924) | (3,901) |
| Other comprehensive income | | | | | |
| Foreign currency translation differences from foreign operations | | (6) | (144) | 194 | (122) |
| Other comprehensive income for the period, net of income tax | | (6) | (144) | 194 | (122) |
| Total comprehensive income (loss) for the period attributable to equity holders of the company | | 11,034 | (9,895) | (5,730) | (4,023) |
| Basic/diluted profit/(loss) per share (Euro) | | | | | |
| – continued operations | | (0.04) | (0.04) | (0.01) | (0.02) |
| Basic/diluted profit/(loss) per share (Euro) | | 0.04 | (0.03) | (0.02) | (0.01) |
| Weighted average number of shares outstanding | | 311,576,344 | 311,576,344 | 311,576,344 | 311,576,344 |

* In compliance with IFRS 5 the Consolidated Income Statements for the three and six months ended June 30, 2008, were restated.

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

LYCOS Europe N.V.
 unaudited condensed consolidated interim
 statements of cash flows

| | Notes | Six months ended June 30, 2009 | Six months ended June 30, 2008 Restated* |
|--|-------|---|--|
| In thousand Euro | | | |
| Continued operations | | | |
| Cash flows from operating activities | | | |
| Loss before tax | | (13,229) | (11,856) |
| Adjustments for: | | | |
| Depreciation, amortization and impairment | | 1,324 | 1,140 |
| Gain on sale of subsidiaries | | 0 | 0 |
| Finance income and expense | | (717) | (3,245) |
| Other non cash movements | | (1,087) | (2,894) |
| Change in accounts receivable | | 2,005 | 1,367 |
| Change in prepaid expenses and other current assets | | 4,983 | 2,530 |
| Change in other non-current assets | | 911 | 250 |
| Change in accounts payable | | (2,675) | (1,536) |
| Change in current liabilities | | (14,752) | (236) |
| Change in other non-current liabilities | | (157) | (307) |
| Interest received | | 454 | 3,757 |
| Income tax paid | | 0 | (93) |
| Net cash used in operating activities | | (22,940) | (11,123) |
| Cash flows from investing activities | | | |
| Acquisitions of property, plant and equipment and other intangible assets | | 1,337 | (1,265) |
| Development expenditure | | 0 | 541 |
| Decrease / (increase) in short and long term deposits | | (1,500) | (40,000) |
| Proceeds from sale of non current assets | | 0 | 0 |
| Proceed from sale of subsidiaries and other investments, net of cash | | 0 | 265 |
| Net cash (used)/provided in investing activities | | (163) | (40,459) |
| Cash flows from financing activities | | | |
| Repayment of share premium | | (34,990) | 0 |
| Change in short-term debt | | (180) | (43) |
| Net cash used in financing activities | | (35,170) | (43) |
| Cash flows from discontinued operations | | | |
| Net cash from operating activities | | (514) | (146) |
| Net cash from investing activities | | 25,300 | (201) |
| Net cash from financing activities | | (8) | (11) |
| Net cash from discontinued operations | | 24,778 | (358) |
| Effect of exchange rate changes on cash and cash equivalents | | 5 | (54) |
| Decrease in cash and cash equivalents | | (33,490) | (52,037) |
| 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 | | 33,383 | 22,833 |
| Thereof from continued operations | | 33,226 | 22,833 |
| Thereof from discontinued operations | | 157 | 0 |

* In compliance with IFRS 5 the Consolidated Statement of Cash Flows for six month ended June 30, 2008, was restated.

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

LYCOS Europe N.V.
unaudited condensed consolidated interim
statements of shareholders' equity

| In thousand Euro (except share data) | Class AA shares | | Class AB shares | | Class B shares | |
|--|--------------------|------------|--------------------|------------|--------------------|--------------|
| | No. of shares | EUR | No. of shares | EUR | No. of shares | EUR |
| Balance as of December 31, 2007 | 62,000,000 | 620 | 62,000,000 | 620 | 188,300,000 | 1,883 |
| Total comprehensive income for the period | | | | | | |
| Net loss | | | | | | |
| Other comprehensive income | | | | | | |
| Movement capitalized development expenses | | | | | | |
| Translation loss | | | | | | |
| Total other comprehensive income | | | | | | |
| Total comprehensive income for the period | | | | | | |
| Balance as of June 30, 2008 | 62,000,000 | 620 | 62,000,000 | 620 | 188,300,000 | 1,883 |
| Total comprehensive income for the period | | | | | | |
| Net loss | | | | | | |
| Other comprehensive income | | | | | | |
| Movement capitalized development expenses | | | | | | |
| Translation loss | | | | | | |
| Total other comprehensive income | | | | | | |
| Total comprehensive income for the period | | | | | | |
| Transactions with owners, recorded directly in equity | | | | | | |
| Distribution to shareholders | | | | | | |
| Total transactions with owners | | | | | | |
| Balance as of December 31, 2008 | 62,000,000 | 620 | 62,000,000 | 620 | 188,300,000 | 1,883 |
| Total comprehensive income for the period | | | | | | |
| Net profit | | | | | | |
| Other comprehensive income | | | | | | |
| Translation loss | | | | | | |
| Total other comprehensive income | | | | | | |
| Total comprehensive income for the period | | | | | | |
| Transactions with owners, recorded directly in equity | | | | | | |
| Distribution to shareholders | | | | | | |
| Total transactions with owners | | | | | | |
| Balance as of June 30, 2009 | 62,000,000 | 620 | 62,000,000 | 620 | 188,300,000 | 1,883 |

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

| Share premium | Legal reserve | Treasury shares | | Translation reserve | Accumulated deficit & unappropriated result | Total |
|---------------|---------------|-----------------|---------|---------------------|---|----------|
| EUR | EUR | No. of shares | EUR | EUR | EUR | EUR |
| 1,588,076 | 3,941 | (723,656) | (2,052) | (649) | (1,425,540) | 166,899 |
| | | | | | (9,751) | (9,751) |
| 451 | (451) | | | (144) | | 0 |
| | | | | (144) | | (144) |
| 451 | (451) | | | (144) | | (144) |
| 451 | (451) | | | (144) | (9,751) | (9,895) |
| 1,588,527 | 3,490 | (723,656) | (2,052) | (793) | (1,435,291) | 157,004 |
| | | | | | (43,121) | (43,121) |
| 3,490 | (3,490) | | | | | 0 |
| | | | | (3,308) | | (3,308) |
| 3,490 | (3,490) | | | (3,308) | | (3,308) |
| 3,490 | (3,490) | | | (3,308) | (43,121) | (46,429) |
| (50,008) | | | | | | (50,008) |
| (50,008) | | | | | | (50,008) |
| 1,542,009 | 0 | (723,656) | (2,052) | (4,101) | (1,478,411) | 60,567 |
| | | | | | 11,040 | 11,040 |
| | | | | (6) | | (6) |
| | | | | (6) | | (6) |
| | | | | (6) | 11,040 | 11,034 |
| (34,990) | | | | | | (34,990) |
| (34,990) | | | | | | (34,990) |
| 1,507,019 | 0 | (723,656) | (2,052) | (4,107) | (1,467,371) | 36,612 |

LYCOS Europe N.V.
notes to the unaudited condensed
consolidated interim financial statements

1. significant accounting policies
2. disposal of subsidiaries, sale of licenses
and assets held for sale
3. cash, cash equivalents and other investments
4. impairment
5. restructuring provision
6. related party transactions
7. contingencies and commitments
8. other operating expenses

1. significant accounting policies

a) The Company

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 announced its liquidation in November 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”).

b) Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the LYCOS Europe consolidated financial statements for the year ended December 31, 2008. LYCOS Europe’s consolidated financial statements are prepared 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”).

The preparation of unaudited condensed consolidated interim financial statements in conformity with IFRS requires the 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.

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2008 except for the following:

The company applies IAS 1 revised beginning with January 1, 2009. By applying IAS 1R the company uses a single statement of comprehensive income. The statement of changes in equity remains practically unchanged. The titles of “balance sheet”, “income statement” and “Cash flow statement” are being replaced by the titles “statement of financial position”, “Statement of comprehensive income” and “Statement of Cash Flows”.

The company further has to apply IFRS 8 “operating segments” as of January 1, 2009. Since the company is currently in the process of discontinuing its operations and to liquidate its assets, a segment reporting does not exist any longer. Furthermore since February most operations and services were stopped.

2. disposal of subsidiaries, sale of licenses and assets held for sale

On November 26, 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 Management Board and Supervisory Board of LYCOS Europe came to the conclusion 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, the sale of LYCOS Europe subsidiaries united-Domains AG, Starnberg was finalized. The domain business is therefore disclosed as held for sale and as discontinued operations in the annual financial statements of 2008. The transaction was subject to clearance of antitrust authorities. The approval was received on 30 January 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 2014 the latest. The derecognition of all assets and liabilities of united domains 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.

Sale of licenses

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.

In addition an agreement was entered with Lycos Inc. to sell back the licensed brands (LYCOS, Tripod, Angelfire and Hotbot) to Lycos Inc. for an amount of EUR 0.6 million (USD 800,000), plus 40 percent revenue share for one year.

Shopping business

On November 15, 2006, Pangora GmbH, an indirect 100 percent subsidiary of LYCOS Europe N.V., completed the purchase of all shares in mentasys GmbH, a German shopping solution specialist. The purchase price was EUR 30.0 million including a contingent consideration of EUR 14.0 million based on the performance in the years 2007 to 2009, of which EUR 5.0 million was paid during the first quarter of 2008. In 2008 mentasys GmbH was merged with Pangora GmbH into Pangora GmbH with statutory seat in Karlsruhe, Germany. The merger is effective as of January 1, 2008.

The search for potential buyers of the shopping business is still ongoing. The shopping activities are therefore disclosed as held for sale and as discontinued operations in the 2009 interim financial report.

On February 18, 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 assets held for sale back to continuing operations.

3. cash, cash equivalents and other investments

Cash consist of bank balances and call deposits, cash equivalents consist of short-term deposits with an original and remaining maturity of less than six months and other investments consist of deposits with a maturity of more than 12 months.

4. impairment

As there are no remaining goodwill and intangible assests with an indefinite life left, no annual impairment testing was required in June 2009. Goodwill of EUR 0.9 million included in assets held for sale was written down to EUR 0 during the second quarter of 2009.

5. restructuring provision

In thousand Euro

| | |
|--|---------------|
| Balance at December 31, 2008 | 23,440 |
| Provisions used during the year 2009 | (9,683) |
| Provisions released during the year 2009 | (790) |
| Balance at June 30, 2009 | 12,967 |

The movement in the restructuring provision is fully related to the ongoing restructuring process.

6. related party transactions

The Company engages in various related party transactions with Bertelsmann AG 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 approximate fair value.

7. contingencies and commitments

Minimum Lease and Rental Payments

The Company has entered into rental agreements in Armenia, France, Germany and the Netherlands. Due to the liquidation process the future rental related payments are shown under restructuring expenses.

Litigation

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. LYCOS Europe is currently involved with a number of legal proceedings and/or claims. The company believes that to the extent not provided for these claims will not have individually or in the aggregate, a materially adverse effect on the Company's financial position, results of operations or cash flows.

8. other operating expenses

Other operating expenses comprise of:

| In thousand Euro | Six months ended June 30, 2009 | | | | Total |
|----------------------------|--------------------------------|----------------|----------------|--------------------|-----------------|
| | Ordinary expenses | Restructuring | Impairment | Other amortization | |
| Sales and marketing | (2,431) | 0 | 0 | 0 | (2,431) |
| Research and development | (4,509) | 0 | 0 | 0 | (4,509) |
| General and administration | (4,167) | (1,507) | (1,195) | 0 | (6,869) |
| Total | (11,107) | (1,507) | (1,195) | 0 | (13,809) |

| In thousand Euro | Six months ended June 30, 2008 (restated) | | | | Total |
|----------------------------|---|---------------|-------------|--------------------|-----------------|
| | Ordinary expenses | Restructuring | Impairment | Other amortization | |
| Sales and marketing | (8,188) | (78) | 0 | 0 | (8,266) |
| Research and development | (5,702) | (61) | (94) | 0 | (5,857) |
| General and administration | (7,284) | (281) | 0 | (21) | (7,585) |
| Total | (21,174) | (420) | (94) | (21) | (21,708) |

Haarlem, the Netherlands

August 4, 2009

The Management Board

LYCOS Europe N.V.

quarterly financial information (unaudited)

| In thousand Euro (except per share data) | Quarter ended March 31, 2005 (restated) | Quarter ended June 30, 2005 (restated) | Quarter ended September 30, 2005 (restated) | Quarter ended December 31, 2005 (restated) |
|---|--|---|--|---|
| Revenues | 18,251 | 20,022 | 20,044 | 20,929 |
| EBITDA ¹ | (6,194) | (6,264) | 410 | 1,709 |
| EBIT ¹ | (8,644) | (8,360) | (1,520) | (166) |
| Net loss | (8,069) | (8,390) | (2,046) | (1,730) |
| Net loss per share basic and diluted in Euro | (0.03) | (0.03) | (0.01) | (0.01) |

| 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 ¹ | (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 ¹ | (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 | 4,470 | 4,275 |
| EBITDA ¹ | (7,229) | (6,694) | (8,051) | (30,631) |
| EBIT ¹ | (7,866) | (7,223) | (8,565) | (37,685) |
| 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 ³ | Quarter ended June 30, 2009 |
|---|---|-----------------------------------|
| Revenues | 1,158 | 2,203 |
| EBITDA ¹ | (8,433) | (4,190) |
| EBIT ¹ | (9,541) | (4,405) |
| Net profit | 16,960 | (5,924) |
| Net profit per share basic and diluted in Euro | 0.05 | (0.02) |

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.

3 2009 includes the continued business and 2008 has been restated for the effect on income statement of the discontinued operations united-domains and Shopping.



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