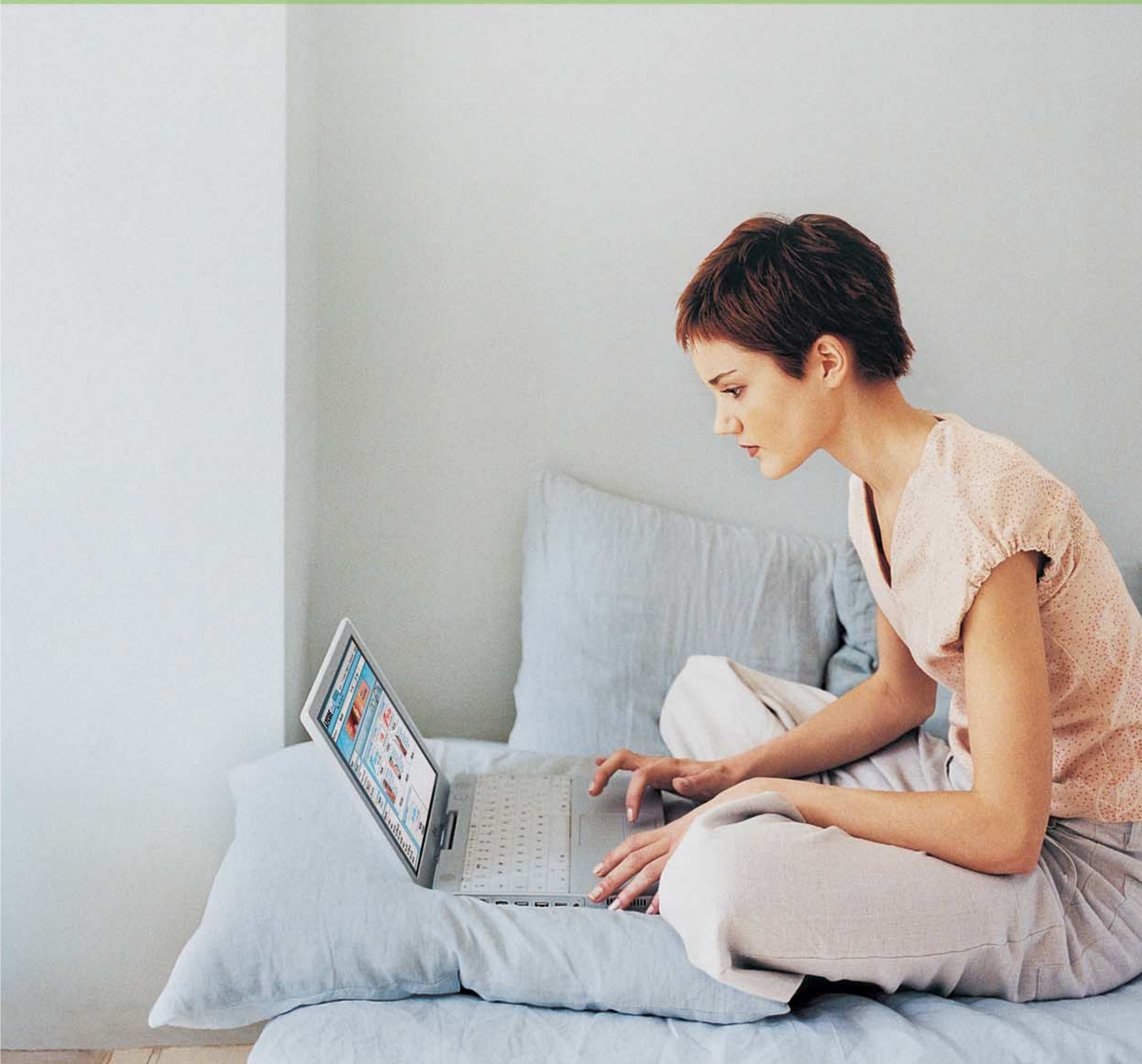
LYCOS EUROPE N.V. // INTERIM REPORT (IFRS)

FOR THE SIX MONTHS ENDED JUNE 30, 2006

LYCOS
meet you there



KEY FIGURES

First six months 2006 and 2005

In million Euro (except per share data, change and gross margin)	Six months ended June 30, 2006 (unaudited)	Six months ended June 30, 2005 (unaudited)	Change
Total revenues	64.1	61.5	4%
Pro forma gross profit(1)	33.5	32.1	5%
Pro forma gross margin(1)	52%	52%	0%
Loss from operations	(3.5)	(17.2)	80%
Net loss	(2.3)	(16.5)	86%
Net loss per share in Euro	(0.01)	(0.05)	86%
EBITDA(2)	0.9	(11.7)	107%

Second quarter 2006 and 2005

In million Euro (except per share data, change and gross margin)	Three months ended June 30, 2006 (unaudited)	Three months ended June 30, 2005 (unaudited)	Change
Total revenues	34.2	31.5	9%
Gross profit	18.8	16.9	12%
Gross margin	55%	54%	3%
Operating loss	(0.9)	(8.7)	90%
Net loss	(0.2)	(8.4)	97%
Net loss per share in Euro	0.00	(0.03)	97%
EBITDA(2)	1.3	(6.1)	122%

	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)	Change
Number of employees	664	778	(15)%
Cash, cash equivalents and other investments in million Euro	98.1	111.0	(12)%

(1) Gross profit / gross margin excluding restructuring costs and impairment loss

(2) Please refer also to the explanatory notes to the key figures, which are displayed on page 28

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1 // MESSAGE FROM THE CEO

DEAR SHAREHOLDERS,

The results for the second quarter of 2006 are the indicators for a development that the Company was working very hard for in the past periods. LYCOS Europe has achieved to fulfill the expectations and delivered further improvements in the quarterly results of Q2/2006 with a positive EBITDA result of EUR 1.3 million (an increase of 122 percent vs. prior year's second quarter) and a net loss of EUR (0.2) million (an improvement of 97 percent vs. Q2/2005). The turnaround story of LYCOS Europe is also reflected on the revenue side with total revenues in Q2/2006 of EUR 34.2 million, an increase of 9 percent compared with last year's second quarter (EUR 31.5 million). The figures of the first six months of 2006 in total also mirror the prospering set-up of LYCOS Europe with total revenues of EUR 64.1 million (an increase of 4 percent vs. prior year's first six months of EUR 61.5 million), a positive EBITDA result of EUR 0.9 million (improvement of 107 percent; EUR (11.7) million in 2005) and a net loss of EUR (2.3) million (improvement of 86 percent; EUR (16.5) million in 2005). We expect to achieve break even on a net result and full-year basis.

The successful second quarter of 2006 was to a significant positive extent influenced by the very good market launch of the so–called .eu domain names for private consumers starting in April this year. LYCOS Europe together with its 100 percent subsidiary united-domains AG managed to convert an impressive number of more than 60 percent of all the applications within the first days. This market leading position resulted in a market share of around 25 percent in Germany and around 8 percent on a pan-European basis and was a clear proof of LYCOS Europe's outstanding domain expertise which is in competition with around 1,600 other domain registrars. Many months if not a year of preparations from all the departments involved laid the foundation stone for this success. The success story of .eu domains in general and as a top-seller within our domain portfolio is expected to continue.

LYCOS Europe's product initiative focusing on new innovative services with what we call "community flavor" was also intensified in the past period. The recently launched "human search engine" LYCOS iQ gathered in a short period of time about 35,000 experts to answer all kinds of user's questions in several thousand categories. Being still in its beta testing phase, LYCOS iQ is already one of our most successful unique user generating product launches ever. We will introduce more services for instance in the communication area in the near future so that we keep the pace for new innovations on a high level. All these efforts pinpoint to making the LYCOS Europe portals and products an even more attractive place for users to meet, to communicate and to share knowledge, information and entertainment. The results regarding the LYCOS Europe reach is very promising. The Company was able to gain around 5 million additional unique users compared with May last year, so that nowadays more than 28 million unique users visit the LYCOS Europe portal and partner network[1] on a regular basis. Besides the LYCOS Europe services new exclusive content and advertising partners such as chefkoch.de, one of the leading German food/lifestyle websites, also contributed to this development.

Naturally, after the significant changes last year to improve its cost base, LYCOS Europe is not fully up to speed yet, but with the continues improvements that we made, it is soon set up to be a leading contributor of innovations in our industry. The LYCOS iQ product launch was a good and promising example for what to expect in the future.

C. Mohn

Christoph Mohn
Chief Executive Officer

1 | Partner network includes sites that are not owned but distributed by the LYCOS Europe sales force

2 // OVERVIEW

PORTAL & COMMUNICATION

Compared with last year's reference period, the LYCOS Europe network of portals and exclusive partner sites gained an impressive number of around 5 million new visitors. As of May 2006, more than 28 million unique users are attracted by the LYCOS Europe portal and partner portfolio on a monthly basis, an increase of around 22 percent year on year. Three reasons are the main drivers for the successful reach development:

First of all, the content teams of LYCOS Europe steadily introduced new channels, features, specials and improved existing offerings, making the content offers more lively and interactive. One of the content highlights in the second quarter has been without a doubt the football world cup that was strongly featured within the LYCOS Europe network for several weeks – coming along with a growing usage of these pages.

Secondly, the new "human search engine" LYCOS iQ develops successfully and leads to an increased usage of the LYCOS iQ search tools. Only three months after its launch, LYCOS iQ has already achieved to be the fourth most used product of LYCOS Europe in Germany. Still being in a beta phase LYCOS iQ is being permanently improved with new features. The navigation was optimized in June, making it possible to directly navigate to personally relevant topics more intuitively. A LYCOS iQ tool bar is about to be rolled out soon and will lead to attract new users. As of June 30, 2006, the awarded LYCOS iQ has already about 35,000 registered experts who gave around 125,000 answers to more than 50,000 questions.

A third reason for the higher usage of the LYCOS Europe network is the so-called channel extension approach that combines content and online-advertising at its best: LYCOS Europe's goal is to integrate if possible at least one strategic partner in each of the main content categories in each core country. This approach has led to a third party advertising portfolio of 15 exclusive partner sites that are integrated within the portals and which are advertised for by the LYCOS Europe sales teams. A prominent example is the US-based about.com, whose pan-European inventory is integrated within the LYCOS Europe sales network.

In June 2006, LYCOS Europe updated the design and the usability of its LYCOS Mail communication service. The graphics for the entire presentation of the communication service have been optimized with a view to enhancing user friendliness. The visual presence of key operating elements has been accentuated thus boosting the intuitive use of the services on offer. What's more, core elements available through LYCOS Europe have been deeply integrated. As a result, e-mail users can now access related LYCOS Europe community products or exciting portal content directly and without having to log in again. The modifications which have been made to the design of the new LYCOS Mail service include a free service known as LYCOS FreeMail as well as premium services. A new professional search function, which has been integrated into LYCOS Mail, ensures that each user can see exactly what is going on in their personalized inbox. This practical feature allows the user to scour every e-mail, RSS news or even the "human search engine", LYCOS iQ, plus the entire Internet for information. To

safeguard against spam and virus e-mails, LYCOS Mail offers an e-mail security system known as Protek-On which comprises leading security technology such as domain keys and SPF Sender Policy Framework. With 12 stages in total, this security system also includes full SSL (Secure Socket Layer) encryption which satisfies the highest security standards and demands required to protect the individual's privacy.

COMMUNITIES

LYCOS Europe has added audioblogging and videoblogging to its pan-European community-based JubiiBlogs service (www.jubiiblog.co.uk) in the second quarter of 2006. Bloggers can now record and upload MP3-format audio files and video clips as well as writing posts for their weblogs. Clips can be created using a digital camera, PC-based audio recording software or a webcam to capture video and sound. In cooperation with Coull Ltd. LYCOS Europe offers JubiiBloggers a free programme which helps them to edit together images, videos, sounds and text and upload them to their Blogs without any technical know-how. Once posted, the clips are hosted and streamed by LYCOS Europe. The LYCOS Europe Jubii-Blog service is thereby taking a lead in developing services for bloggers. As the Internet becomes more interactive and more people have broadband connections, greater numbers of our users want to be able to share audio and video clips. Adding these functions to the LYCOS Europe blogging service is a consequent next step.

The LYCOS Chat, with its lively virtual community of about 5 million registered members Europe's biggest and modern web chat facility, made another important development step to being accessible on other devices.

In a co-operation with Vodafone Germany, the LYCOS Chat is now integrated within the Vodafone Live mobile portal since April 2006. Users are now given the possibility to chat via their mobile devices – be it from mobile to PC or completely remote from mobile to mobile. This service was launched as a premium offer by Vodafone Germany.

HOSTING & DOMAIN NAMES

With an allocation quota of more than 60 percent compared to the number of domains submitted to the EURid on and around 110,000 registered domains the event of the land rush of the new European domain ending on Friday, April 7th, LYCOS Europe demonstrated again its expertise in the field of domain registrations. With its subsidiary united-domains AG, an official domain registrar, and its business unit LYCOS Web Hosting the European Internet portal had a European market share of around 8 percent in the first days of the .eu domain.

Only three days after the beginning of the land rush period about 1.4 million .eu domains had been registered in total. Most .eu domains were registered for Germany (about 32 percent), UK (about 20 percent) and the Netherlands (about 12 percent). The most successful country though was the Netherlands with twice as many .eu domains per inhabitant as Germany or the UK. And the race is not over yet: So far still numerous interesting domains are available. Compared to the number of about 50 million .com domains, about 10 million .de domains and about 460,000 .fr domains there is still a huge potential in the .eu domain for LYCOS Europe.

The football world cup has been a successful event not only for the new world champion Italy, runner-up France and host nation Germany but for LYCOS Web hosting as well: LYCOS Europe launched a series of world cup-themed templates for its LYCOS OneClickSite weblogging tools, just in time for the kick-off of the greatest global football event. The templates were integrated in all LYCOS Web Hosting packages and featured imagery representing the team that bloggers were supporting for the duration of the tournament. New and current users were able to apply them to their sites with a single click and no technical know-how was required to express the national pride. The LYCOS Europe templates also featured links to match schedules, to other relevant blogs or websites and links to football discussion areas across the rest of the site (including football related questions and answers on LYCOS iQ).

SHOPPING

LYCOS Europe's one hundred percent subsidiary Pangora GmbH, an internationally leading supplier for product search solutions, came up with new co-operation partners in the core countries United Kingdom, France and Germany within the second quarter of 2006 to underline its leading position as a shopping specialist. About 70 portals and over 2,100 online shops with more than 13 million products are already using the Pangora service in the United Kingdom, Germany, France, Italy and Austria.

Home shopping brand Kaleidoscope has opened up its ranges to British price comparison shoppers in a pay-per-click deal with Pangora. Kaleidoscope is owned by Hamburg-based Otto Group, the world's largest mail-order company and one of the largest online retailers in the world. The agreement will mean that Kaleidoscope products will be made available on consumer-facing shopping mall sites operated by Pangora, including those on LYCOS UK, Excite, Virgin.net and BuyCentral.co.uk, Pangora's stand-alone price and product comparison site.

LYCOS Europe's German price comparison portal eVITA (www.evita.de) which also is being developed by Pangora was introduced in a French version in June 2006. Further international adoptions of eVITA are about to be launched within the coming months.

Pangora stepped into a new partnership with German TV station Kabel1 for the introduction of a new online-shopping lounge within its online portal www.kabeleins.de in June 2006. The Kabel1 shop now offers around 3.5 million products in about 10,000 categories. After having launched an online shop solution for TV news station N24 the Kabel1 partnership represents the second co-operation with SevenOne Intermedia, the multimedia unit of media group ProSiebenSat1.

3 // FINANCIAL RESULTS

The following financial information is presented on a pro forma basis following the requirements of the Company's previous GAAP. This should allow a better understanding of the current financial performance.

In comparison to the presentation required according to IFRS, extraordinary items, e.g. restructuring costs are excluded from the functions and are presented in a separate line item.

In thousand Euro	**Six months ended June 30, 2006** (unaudited)	**Six months ended June 30, 2005** (unaudited)	**Three months ended June 30, 2006** (unaudited)	**Three months ended June 30, 2005** (unaudited)
Advertising	19,368	19,161	10,754	10,475
Paid services and shopping	26,169	20,847	14,676	10,764
Interconnect	18,451	20,785	8,766	9,878
Licensing and other	115	696	40	362
Total revenues	**64,103**	**61,489**	**34,236**	**31,479**
Pro forma cost of revenues	(30,573)	(29,418)	(15,408)	(14,627)
Pro forma gross profit	**33,530**	**32,071**	**18,828**	**16,852**
Sales and marketing expenses	(14,372)	(15,078)	(7,972)	(7,151)
General and administration expenses	(13,523)	(16,244)	(7,037)	(8,162)
Research and development expenses	(8,431)	(11,162)	(4,203)	(5,766)
Other income	486	347	169	174
Restructuring charges	141	(5,559)	(4)	(3,775)
Amortization of intangibles	(1,284)	(1,575)	(644)	(785)
Impairment of tangible assets	0	(44)	0	(44)
Total operating expenses	**(36,983)**	**(49,315)**	**(19,691)**	**(25,509)**
Loss from operations	**(3,453)**	**(17,244)**	**(863)**	**(8,657)**
Net loss for the period	**(2,274)**	**(16,459)**	**(242)**	**(8,390)**

Revenues

Revenues from paid services and shopping showed good growth rates and mirrored LYCOS Europe's enhanced efforts to extend its paid services offer. Paid services and shopping contributed 41 percent and Interconnect 29 percent to LYCOS Europe's total revenues in the six months ended June 30, 2006.

Amounting to EUR 64.1 million for the six months ended June 30, 2006, LYCOS Europe's revenues increased by 4 percent compared to the six months ended June 30, 2005.

Advertising revenues for the six months ended June 30, 2006, increased by 1 percent compared to the six months ended June 30, 2005.

Paid services and shopping for the six months ended June 30, 2006, increased by 26 percent compared to the six months ended June 30, 2005. The increase of paid services and shopping is the result of the continuous growth in existing products and the exceptional performance in registered .eu domains since their introduction.

Interconnect revenues for the six months ended June 30, 2006, decreased by 11 percent compared to the six months ended June 30, 2005, which is mainly driven by the overall decreased usage of narrowband products and a price drop in the access markets.

Barter revenues represented less than 5 percent of net group revenues during those periods.

Revenues for the three months ended June 30, 2006, of EUR 34.2 million, increased by 9 percent compared to the same period last year with revenues of EUR 31.5 million.

Cost of Revenues

Cost of revenues increased from EUR 29.4 million for the six months ended June 30, 2005, to EUR 30.6 million for the six months ended June 30, 2006.

The gross margin increased from 54 percent for the three months ended June 30, 2005 to 55 percent for the three months ended June 30, 2006.

Sales and Marketing

Sales and marketing expenses amounted to EUR 14.4 million for the six months ended June 30, 2006, which is a decrease of 5 percent compared to sales and marketing expenses of EUR 15.1 million for the six months ended June 30, 2005.

In the three months ended June 30, 2006, sales and marketing expenses amounted to EUR 8.0 million, which is an increase of 11 percent compared to sales and marketing expenses of EUR 7.2 million for the three months ended June 30, 2005.

General and Administrative

General and administrative expenses decreased from EUR 16.2 million for the six months ended June 30, 2005 to EUR 13.5 million for the six months ended June 30, 2006.

General and administrative for the three months ended June 30, 2006, of EUR 7.0 million, decreased by 14 percent compared to the same period last year.

Research and Development

Cost incurred for research and product development amounted to EUR 8.4 million for the six months ended June 30, 2006, compared to EUR 11.2 million for the six months ended June 30, 2005. This decrease of 24 percent is primarily due to the cost reduction program of LYCOS Europe.

In the three months ended June 30, 2006 research and development expensed amounted to EUR 4.2 million, which is a decrease of 27 percent compared to the same period in 2005. This decrease is due to the reasons mentioned above.

Amortization of Intangibles

Amortization expenses amounting to EUR 1.3 million for the six months ended June 30, 2006 are mainly related to amortization of intangible assets excluding goodwill identified in the purchase price accounting of united-domains AG, Pangora SAS and Spray Telecom Network AB.

Amortization expenses for the three months ended June 30, 2006 amounted to EUR 0.6 million.

EBITDA

EBITDA is not a measure recognized by IFRS. This and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the unique situations of those companies. See page 28 for LYCOS Europe's definition of the EBITDA result.

The EBITDA result amounted to EUR 0.9 million for the six months ended June 30, 2006, which is an improvement of 107 percent compared to the six months ended June 30, 2005 (EUR (11.7) million).

The EBITDA result of EUR 1.3 million for the three months ended June 30, 2006 increased by 122 percent compared to the EBITDA result of EUR (6.1) million for the three months ended June 30, 2005.

Financing

The total amount for cash and cash equivalents and other investments decreased from EUR 105.1 million on December 31, 2005, to EUR 98.1 million on June 30, 2006. During the period ended June 30, 2006, LYCOS Europe used EUR 2.6 million cash in operating activities, which is an improvement of 71 percent compared to EUR 8.9 million used during the six-months ended June 30, 2005. Excluding Eurid prepayments, the improvement would amount to 78 percent. In addition, during the period ended June 30, 2006, an amount of EUR 1.1 million was used for the acquisition of property, plant, equipment and other intangible assets.

LYCOS Europe focuses on reducing its operating losses and will continue to do so, expecting no additional funding requirement until becoming cash-flow positive.

4 // THE SHARE

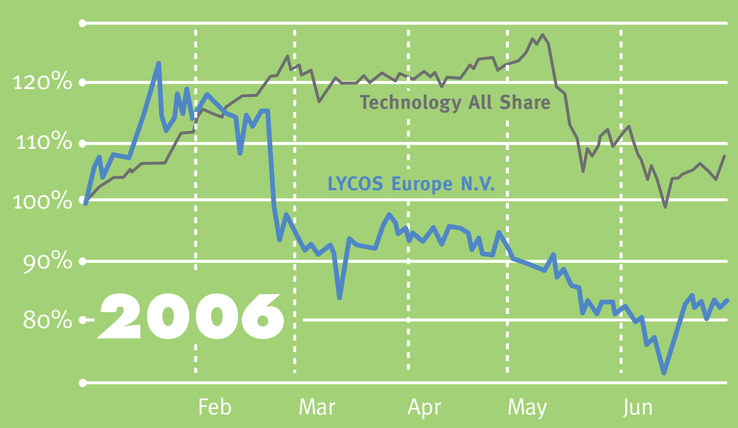
Shareholder Structure

LYCOS Europe's legal shareholder structure as at June 30, 2006, is as follows: LE Holding Corp. (32.1%), Bertelsmann Internet Holding GmbH / Fireball Internet GmbH / Jahr Vermögensverwaltungs GmbH & Co. KG (20.0%), Christoph Mohn Internet Holding GmbH (12.1%), LYCOS Europe N.V. [shares held as treasury shares] (0.2%), and Free Float (35.6%).

As at June 30, 2006, the total number of shares outstanding is 311,576,344, excluding the treasury shares.

Stock Price Performance

LYCOS Europe's share price faced a non satisfying development in the course of the first six months of 2006. The share price dropped by 16.8 percent from EUR 1.13 (Frankfurt Stock Exchange, opening price January 2, 2006) to EUR 0.94 (Frankfurt Stock Exchange, closing price June 30, 2006) and therefore could not compete with the Technology All Share Index which rose by 9.2 percent in the same period.



LYCOS Europe's Stock Price Performance Compared to Technology All Share Index

5 // EMPLOYEES

LYCOS Europe had 664 employees at June 30, 2006 compared to 688 employees at December 31, 2005.

6 // OUTLOOK

The second half of the current financial year will mirror two seasonally influenced developments especially concerning the Company's revenue stream online advertising. LYCOS Europe as a provider of a strong international advertising medium will benefit from a strong fourth quarter in this area. The third quarter though will likely mirror a minor load of inventory due to the seasonal holiday effects and a traditional restraint of advertisers in summer periods.

LYCOS Europe's access business which is mostly driven by the Swedish entity is still characterised by highly competitive and fast-changing market conditions. The Company was able to lower the churn rates especially in the narrowband sector and hereby strengthen its position. Yet, interconnect revenues may still suffer from decreasing consumer tariffs caused by competitive pressure.

Revenues from paid services and shopping solutions are expected to increase above average in the coming reporting periods. Combined with the past improvements in the LYCOS Europe cost base the Company is confident to stay on track on the way to profitability on a net result basis in the full year 2006.

On May 31, 2006, LYCOS Europe made an announcement concerning negotiations with Lycos, Inc. about the scope of license agreements for the LYCOS trademark. LYCOS Europe seeks changes to the current license agreements that will allow the Company more freedom to use the LYCOS brand. All by a sudden, Lycos, Inc. has raised alleged breaches of contract and demanded a substantial compensation. The Management of LYCOS Europe strongly believes that it is under no obligation to pay any form of damages for past breaches, if any. Currently both parties are discussing the topic face to face.

Haarlem, The Netherlands
July 21, 2006

C. Mohn

Christoph Mohn
Chief Executive Officer

LYCOS EUROPE N.V. //
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS)

FOR THE PERIOD ENDED JUNE 30, 2006

LYCOS EUROPE N.V. // UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

In thousand Euro	Notes	June 30, 2006	December 31, 2005
Assets			
Property, plant and equipment	3	3,032	3,820
Goodwill	4,5	14,341	14,255
Other intangible assets	5	11,885	13,797
Deferred tax assets	6	184	184
Other investments	7	9,939	9,939
Other non-current assets		1,999	2,081
Total non-current assets		**41,380**	**44,076**
Cash and cash equivalents	7	53,936	65,695
Other investments	7	34,221	29,480
Accounts receivable	8,9	16,002	17,154
Prepaid expenses and other current assets	8	13,291	15,322
Total current assets		**117,450**	**127,651**
Total assets		**158,830**	**171,727**
Shareholders' equity and liabilities			
Class AA registered shares		620	620
Class AB registered shares		620	620
Class B ordinary bearer shares		1,883	1,883
Share premium		1,589,934	1,589,584
Legal reserves		2,083	2,433
Treasury shares		(2,052)	(2,052)
Translation reserve		679	578
Accumulated deficit		(1,469,572)	(1,467,298)
Total shareholders' equity	10	**124,195**	**126,368**
Deferred revenue		1,154	1,878
Deferred tax liabilities	6	721	908
Provisions		87	87
Total non-current liabilities		**1,962**	**2,873**
Short-term debt		0	2,940
Accounts payable	9	5,720	9,994
Restructuring provision		1,196	1,939
Other short-term liabilities	12	18,338	21,634
Deferred revenue		7,419	5,979
Total current liabilities		**32,673**	**42,486**
Total liabilities		**34,635**	**45,359**
Total shareholders' equity and liabilities		**158,830**	**171,727**

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

LYCOS EUROPE N.V. // UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

In thousand Euro (except share data)	Notes	Six months ended June 30, 2006	Six months ended June 30, 2005	Three months ended June 30, 2006	Three months ended June 30, 2005
Revenues					
Advertising		19,368	19,161	10,754	10,475
Paid services and shopping		26,169	20,847	14,676	10,764
Interconnect		18,451	20,785	8,766	9,878
Licensing and other		115	696	40	362
Total revenues		**64,103**	**61,489**	**34,236**	**31,479**
Cost of revenues		(30,573)	(30,148)	(15,408)	(14,752)
Gross profit		**33,530**	**31,341**	**18,828**	**16,727**
Gross profit before highlighted items		**33,530**	**32,071**	**18,828**	**16,852**
Restructuring		0	(730)	0	(125)
Gross profit		**33,530**	**31,341**	**18,828**	**16,727**
Other operating expenses	14	(37,469)	(48,932)	(19,860)	(25,558)
Other operating income		486	347	169	174
Loss from operations		**(3,453)**	**(17,244)**	**(863)**	**(8,657)**
Loss from operations before highlighted items		**(2,310)**	**(10,796)**	**(215)**	**(4,178)**
Restructuring		141	(4,829)	(4)	(3,650)
Impairment on property plant & equipment		0	(44)	0	(44)
Other amortization		(1,284)	(1,575)	(644)	(785)
Loss from operations		**(3,453)**	**(17,244)**	**(863)**	**(8,657)**
Interest income		1,236	1,696	608	780
Interest expense		(39)	(38)	(10)	(23)
Other financing income / expense		(147)	(925)	(42)	(660)
Net financing income		**1,050**	**733**	**556**	**97**
Loss before tax		**(2,403)**	**(16,511)**	**(307)**	**(8,560)**
Income tax		129	52	65	170
Net loss for the period		**(2,274)**	**(16,459)**	**(242)**	**(8,390)**
Basic / diluted loss per share (Euro)	15	(0.01)	(0.05)	0.00	(0.03)
Weighted average number of shares outstanding		311,576,344	311,576,344	311,576,344	311,576,344

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

In thousand Euro	Notes	Six months ended June 30, 2006	Six months ended June 30, 2005
Cash flows from operating activities			
Loss before tax		(2,403)	(16,511)
Adjustments for:			
Depreciation and amortization		4,321	5,505
Interest income, net		(1,197)	(1,658)
Other non cash movements		(51)	1,840
Decrease / (increase) in accounts receivable		1,160	(1,052)
Decrease / (increase) in prepaid expenses and other current assets		1,633	(1,802)
Decrease in prepaid expenses and other non-current assets		180	21
Decrease in accounts payable		(4,304)	(780)
(Decrease) / increase in accrued expenses and other current liabilities		(3,725)	3,709
Increase in deferred revenue		716	1,672
Decrease in other non-current liabilities		(199)	(1,958)
Interest paid		(22)	2,025
Interest received		1,545	84
Income tax paid		(221)	(12)
Net cash used in operating activities		**(2,567)**	**(8,917)**
Cash flows from investing activities			
Purchases of property, plant & equipment and other intangible assets		(1,083)	(1,593)
Capitalized development		(539)	166
Net change in short and long-term deposits		(4,655)	14,548
Net cash provided in investing activities		**(6,277)**	**13,121**
Cash flows from financing activities			
Net change in short-term debt		(2,940)	(77)
Net cash provided / (used) in financing activities		**(2,940)**	**(77)**
Effect of exchange rate changes on cash and cash equivalents		25	(30)
(Decrease) / increase in cash and cash equivalents		**(11,759)**	**4,097**
Cash and cash equivalents, beginning of the period		65,695	72,075
Cash and cash equivalents, end of the period	7	**53,936**	**76,172**

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

		Class AA shares		Class AB shares		Class B shares	
In thousand Euro (except share data)	Notes	No. of shares	€	No. of shares	€	No. of shares	€
Balance as at December 31, 2004		**62,000,000**	**620**	**62,000,000**	**620**	**188,300,000**	**1,883**
Movement capitalized development expenses							
Translation gain							
Net loss							
Balance as at June 30, 2005		**62,000,000**	**620**	**62,000,000**	**620**	**188,300,000**	**1,883**
Movement capitalized development expenses							
Translation gain							
Net loss							
Balance as at December 31, 2005		**62,000,000**	**620**	**62,000,000**	**620**	**188,300,000**	**1,883**
Movement capitalized development expenses							
Translation gain							
Net loss							
Balance as at June 30, 2006	10	**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	Translation reserve and accumulated deficit	Total
		No. of shares					
€	€		€	€	€	€	€
1,589,057	**2,960**	**(723,656)**	**(2,052)**	**172**	**(1,447,062)**	**(1,446,890)**	**146,198**
214	(214)					0	0
				673		673	673
					(16,459)	(16,459)	(16,459)
1,589,271	**2,746**	**(723,656)**	**(2,052)**	**845**	**(1,463,521)**	**(1,462,676)**	**130,412**
313	(313)					0	0
				(267)		(267)	(267)
					(3,777)	(3,777)	(3,777)
1,589,584	**2,433**	**(723,656)**	**(2,052)**	**578**	**(1,467,298)**	**(1,466,720)**	**126,368**
350	(350)					0	0
				101		101	101
					(2,274)	(2,274)	(2,274)
1,589,934	**2,083**	**(723,656)**	**(2,052)**	**679**	**(1,469,572)**	**(1,468,893)**	**124,195**

LYCOS EUROPE N.V.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 // SIGNIFICANT ACCOUNTING POLICIES

a) The Company

LYCOS Europe N.V. ("LYCOS Europe" or the "Company" / ISIN NL0000233195) is one of the leading European Internet destinations operating a pan-European network of websites in eight languages. The Company's combination of portal & communication, communities, hosting & domain names, and shopping addresses a wide range of target groups. 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 unaudited condensed consolidated interim financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. These unaudited condensed consolidated interim financial statements were authorized by the management board of the Company on July 21, 2006.

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 IFRS consolidated financial statements for the year ended December 31, 2005. LYCOS Europe's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as required 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).

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, 2005.

2 // SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Intersegment pricing is determined on an arm's length basis. The secondary segment, the business segment, is based on the business unit structure of the Company. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical Segments

	Germany		**Sweden**		**France**		**United Kingdom**	
In thousand Euro	Six months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues	26,502	24,558	22,524	23,217	6,003	5,854	2,673	2,337
Revenues from inter-segment transactions	12,245	11,830	1,176	4,190	613	6,120	189	3,394
Total revenues	**38,747**	**36,388**	**23,700**	**27,407**	**6,616**	**11,974**	**2,862**	**5,731**
Net loss for the period	**1,285**	**(7,167)**	**(309)**	**(693)**	**(462)**	**(6,536)**	**(636)**	**(923)**

	Denmark		**Other regions & Eliminations**		**Consolidated**	
In thousand Euro	Six months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues	4,056	3,141	2,345	2,382	64,103	61,489
Revenues from inter-segment transactions	184	2,645	(14,407)	(28,179)	0	0
Total revenues	**4,240**	**5,786**	**(12,062)**	**(25,797)**	**64,103**	**61,489**
Net loss for the period	**(645)**	**(1,220)**	**(1,507)**	**80**	**(2,274)**	**(16,459)**

3 // PROPERTY, PLANT & 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 & Fixtures	Total
Cost			
Balance as at December 31, 2005	21,643	4,192	**25,835**
Balance as at June 30, 2006	19,798	4,172	**23,970**
Depreciation and impairment losses			
Balance as at December 31, 2005	(19,434)	(2,581)	**(22,015)**
Balance as at June 30, 2006	(18,183)	(2,755)	**(20,938)**
Carrying amounts			
Balance as at December 31, 2005	2,209	1,611	**3,820**
Balance as at June 30, 2006	**1,615**	**1,417**	**3,032**

4 // ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the acquisition of united-domains AG in 2004, LYCOS Europe N.V. agreed to pay a consideration to the sellers using a formula based upon the number of new .eu domain registrations. This consideration is recorded as other short term liability with the amount of EUR 1.2 million and is expected to be paid during the third quarter 2006. Due to exceptional performance in registered .eu domains until the preparation of these unaudited condensed consolidated interim financial statements, this consideration is expected to increase, which will be considered as soon as the final amount is agreed on.

5 // GOODWILL & OTHER INTANGIBLE ASSETS

Goodwill is stated at cost less any accumulated impairment losses. Other intangible assets are stated at cost less accumulated amortization and if applicable any impairment charge.

In the second quarter 2006, LYCOS Europe performed the annual impairment test for goodwill acquired in business combinations. The impairment test indicated that no impairment was required for the period ended June 30, 2006.

In thousand Euro	Goodwill	Licenses and other rights	Capitalized development expenses	Purchased software	Total
Cost					
Balance as at December 31, 2005	14,255	57,742	8,783	3,715	**84,495**
Balance as at June 30, 2006	14,341	57,813	9,322	4,804	**86,280**
Amortization and impairment losses					
Balance as at December 31, 2005	0	(47,481)	(6,350)	(2,612)	**(56,443)**
Balance as at June 30, 2006	0	(48,923)	(7,239)	(3,892)	**(60,054)**
Carrying amounts					
Balance as at December 31, 2005	14,255	10,261	2,433	1,103	**28,052**
Balance as at June 30, 2006	**14,341**	**8,890**	**2,083**	**912**	**26,226**

Spray Telecom Network AB was acquired by Spray Network AB, a Swedish subsidiary of LYCOS Europe N.V. Goodwill accounted for in the purchase price accounting is booked in the functional currency SEK of Spray Network AB. Above displayed movements of goodwill are related to exchange rate differences.

6 // INCOME TAXES

Deferred tax assets and liabilities are summarized as follows:

In thousand Euro	June 30, 2006	December 31, 2005
Deferred tax assets		
Loss carry-forwards	186,373	179,778
Property, plant and equipment	1,285	1,284
Intangible assets	5,690	8,146
Valuation allowance	(192,192)	(187,805)
Netting	(972)	(1,219)
Total deferred tax assets	**184**	**184**
Deferred tax liabilities		
Property, plant and equipment	131	187
Intangible assets	1,562	1,940
Netting	(972)	(1,219)
Total deferred tax liabilities	**721**	**908**

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 June 30, 2006, and December 31, 2005, the Company's operating tax loss carry forwards amount to approximately EUR 547.2 million and EUR 525.8 million, respectively. On June 30, 2006 an amount of EUR 76.7 million thereof is restricted in use until 2009. Substantially all of the loss carry forwards have an indefinite life.

7 // CASH, CASH EQUIVALENTS AND OTHER INVESTMENTS

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.

An amount of EUR 10.3 million and EUR 12.3 million is restricted in use as at June 30, 2006, and December 31, 2005, respectively. An amount of EUR 4.8 million of the restricted cash is non-current as at June 30, 2006, and December 31, 2005, respectively.

8 // TRADE AND OTHER RECEIVABLES

Trade and other receivables are made up of the following:

In thousand Euro	**June 30, 2006**	**December 31, 2005**
Accounts receivables	16,002	17,154
VAT receivable	119	312
Rent deposits and prepayments	410	624
Prepaid expenses current	2,977	4,084
Accrued income	7,639	8,223
Other short-term receivables	2,146	2,079
Total	**29,293**	**32,476**

9 // RELATED PARTY TRANSACTIONS

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

The LYCOS tradename is being licensed from a third party by Lycos, Inc. Following the disposal of Lycos, Inc. by Terra Networks SA (merged with Telefónica SA), LYCOS Europe N.V. is currently in negotiations as it relates to the licensing of the LYCOS tradename.

10 // SHAREHOLDERS' EQUITY

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 June 30, 2006, and December 31, 2005. 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 June 30, 2006, and December 31, 2005. These shares are owned by Bertelsmann Internet Holding GmbH (24,347,400), Fireball Internet GmbH (14,260,000) and Christoph Mohn Internet Holding GmbH (23,392,600).

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 June 30, 2006, and December 31, 2005, respectively, and 187,576,344 are outstanding on June 30, 2006, and December 31, 2005, respectively.

The Company's equity is presented in detail in the unaudited condensed consolidated interim statements of shareholders' equity.

11 // 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.

Options exercisable are equal to options outstanding. Vesting is not restricted on June 30, 2006.

	Options outstanding		
Range of exercise prices (in EUR)	**Number of outstanding options as of June 30, 2006**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price per share**
0.00 – 2.49	97,600	2.7	1.83
2.50 – 7.49	339,450	2.5	6.16
7.50 – 17.49	146,000	1.9	15.90
17.50 – 30.00	237,200	1.3	28.80

12 // OTHER SHORT-TERM LIABILITIES

Other short-term liabilities comprise of:

In thousand Euro	June 30, 2006	December 31, 2005
Accrual for salary and salary related cost	2,528	2,636
Accrual for marketing cost	2,638	4,798
Accrual for professional services	1,759	919
Other accrued expenses	6,010	7,879
Other current liabilities	5,403	5,402
Accrued expenses and other current liabilities	**18,338**	**21,634**

13 // CONTINGENCIES & COMMITMENTS

Minimum Lease and Rental Payments
The Company has entered into operating lease agreements in Armenia, Denmark, France, Germany, United Kingdom, the Netherlands, Italy and Sweden.

The future, non-cancelable minimum lease and rental payments under these commitments are as follows:

In thousand Euro	
Due within 2006	1,772
Due after 2006 until 2011	8,685
Due after 2011	1,982
Total	**12,439**

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 claims 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.

License agreement
LYCOS Europe and Lycos, Inc. have resumed discussions regarding the scope of certain perpetual license agreements, including but not limited to the terms under which LYCOS Europe has licensed the LYCOS brand and certain technology from Lycos, Inc. In the context of these discussions Lycos, Inc. has raised alleged breaches by LYCOS Europe under the relevant license agreements since the year 2000 and demanded monetary compensation. Lycos, Inc. has expressed that failing a settlement, it is prepared to terminate the relevant perpetual license agreements.

LYCOS Europe believes that it is under no obligation to pay any form of damages for past breaches, if any and believes also that Lycos, Inc. has no right to terminate the relevant perpetual license agreements based on the alleged breaches at all. Therefore LYCOS Europe did not record any provision. Currently both parties are discussing this topic face to face.

14 // OTHER OPERATING EXPENSES

Other operating expenses comprise of:

	Six months ended June 30, 2006				
In thousand Euro	Ordinary Expenses	Restructuring	Impairment	Other amortization	Total
Sales and marketing	(14,372)	0	0	(819)	**(15,191)**
General and administration	(13,523)	(21)	0	(465)	**(14,009)**
Research and development	(8,431)	162	0	0	**(8,269)**
Total	**(36,326)**	**141**	**0**	**(1,284)**	**(37,469)**

	Six months ended June 30, 2005				
In thousand Euro	Ordinary Expenses	Restructuring	Impairment	Other amortization	Total
Sales and marketing	(15,078)	(1,057)	0	(832)	**(16,967)**
General and administration	(16,244)	(415)	(44)	(643)	**(17,346)**
Research and development	(11,162)	(3,357)	0	(100)	**(14,619)**
Total	**(42,484)**	**(4,829)**	**(44)**	**(1,575)**	**(48,932)**

15 // LOSS PER SHARE

Basic net loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net loss per share is similar to basic net loss per share except that the weighted average of common shares outstanding is 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. Because of the net losses for all periods presented, 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 earning per share.

	Six months ended June 30, 2006	Six months ended June 30, 2005
Basic/Diluted Net Loss (in thousand Euro)	(2,274)	(16,459)
Weighted average shares	311,576,344	311,576,344
Net loss per share basic and diluted	**(0.01)**	**(0.05)**

QUARTERLY FINANCIAL INFORMATION

(unaudited)

In thousand Euro (except per share data)	Quarter ended March 31, 2004	Quarter ended June 30, 2004	Quarter ended September 30, 2004	Quarter ended December 31, 2004
Revenues	23,790	23,856	22,838	33,292
Operating loss	(13,067)	(15,445)	(10,504)	(11,295)
Net loss	(11,913)	(14,404)	(9,049)	(10,110)
Net loss per share basic and diluted in Euro	(0.04)	(0.05)	(0.03)	(0.03)
EBITDA(1)	(9,645)	(11,928)	(7,169)	(5,485)

In thousand Euro (except per share data)	Quarter ended March 31, 2005	Quarter ended June 30, 2005	Quarter ended September 30, 2005	Quarter ended December 31, 2005
Revenues	30,010	31,479	31,736	32,239
Operating loss	(8,587)	(8,657)	(2,919)	(2,491)
Net loss	(8,069)	(8,390)	(2,047)	(1,730)
Net loss per share basic and diluted in Euro	(0.03)	(0.03)	(0.01)	(0.01)
EBITDA(1)	(5,653)	(6,086)	(514)	(28)

In thousand Euro (except per share data)	Quarter ended March 31, 2006	Quarter ended June 30, 2006
Revenues	29,867	34,236
Operating loss	(2,590)	(863)
Net loss	(2,032)	(242)
Net loss per share basic and diluted in Euro	(0.01)	0.00
EBITDA(1)	(454)	1,322

(1) EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization, which is calculated by excluding the depreciation and amortization from the Company's operating loss. The Company considers EBITDA an important indicator of the performance of its business including the ability to provide cash flows to fund capital expenditures. EBITDA, however, should not be considered an alternative to operating result or net result as an indicator of the performance of the Company, or as an alternative to cash flows provided by (used in) operating activities as a measure of liquidity, in each case determined in accordance with International Financial Reporting standards (IFRS).

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The interim report for the period ended June 30, 2006, is also available in German and French. In case of doubt, the English version is decisive.