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|||| LYCOS Europe N.V.
interim report 2007 ||||

for the three months ended March 31, 2007

key figures

First three months 2007 and 2006

In million Euro (except per share data, change and gross margin)	Three months ended March 31, 2007 (unaudited)	Three months ended March 31, 2006 (unaudited)	Change
Total revenues	20.0	18.3	9%
Gross profit	12.0	11.3	6%
Gross margin	60%	62%	(3)%
Loss from operations	(3.8)	(2.3)	(65)%
Net profit/(loss)	7.6	(2.0)	475%
Net profit/(loss) per share in Euro	0.02	(0.01)	475%
EBITDA ¹	(2.3)	(0.8)	(178)%

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited)	Change
Number of employees	709	658	8%
Cash, cash equivalents and other investments in million Euro	104.3	93.7	11%

¹ EBIT/EBITDA are non-defined non-GAAP measurements, please refer to the explanatory notes to the key figures, which are displayed on page 31.

This report to the shareholders should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto. This report contains certain forward-looking statements and information relating to LYCOS Europe that are 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.

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31 Quarterly Financial Information

||||| dear shareholders, |||||

The financial results for LYCOS Europe in the first quarter of 2007 were significantly influenced by the disposal of the Swedish Access business. The discontinued operations contributed EUR 10.6 million to the net result of EUR 7.6 million. With total revenues of EUR 20.0 million LYCOS Europe has improved its revenues by 9 percent compared to the reference period of 2006 (Q1/2006: EUR 18.3 million). Gross profit improved by 6 percent to an amount of EUR 12.0 million for the first three months 2007. EBIT decreased from EUR (2.3) million in the reference period to EUR (3.8) million in the first quarter 2007, which is mainly driven by higher marketing and research and development expenses.

A substantial driver of the development of our financial results is the strong product development of LYCOS Europe. For instance, LYCOS iQ, which has been launched at the beginning of 2006, has succeeded as a real alternative for Internet searches, above all on the lucrative German core market. A cooperation with the publishing company Gruner & Jahr will expand this strong market position even further: In the first quarter of 2007, white-label solutions from LYCOS iQ have already been implemented for the online issues of the popular magazines Brigitte and Living at Home. LYCOS Europe is also contributing its expertise in the end consumer Internet business in an expanded European context in the development of the multilingual and multimedia project Theseus.

The development and market launch of the social communication platform Jubii represents a true milestone in the now nearly 10-year history of the Company. On February 26, 2007, LYCOS Europe through its subsidiary Jubii LLC for the first time entered the American market with the new communications offering and thus opened up very promising potential sources of income. Jubii is an intuitive and user-friendly social communication platform that combines email, SMS, telephony, storage space, and chat as well as photo and video sharing in a secure environment with the latest Web 2.0 technology. Thus Jubii focuses on people and their natural habits and helps them build and maintain relationships. Under the umbrella brand Jubii, the social networking community JubiiWorld also went live in the USA on March 14, 2007. JubiiWorld is a follow-up program to LYCOS Chat with many additional communications and entertainment applications. With over five million users, it is one of the largest and most active communities in Europe. Plans call for a future rollout of both products, Jubii and JubiiWorld, in Europe.

Our product strategy aims toward a clear differentiation vis-à-vis the competition as well as rapid implementation of future-oriented ideas, features, and products. LYCOS Europe has succeeded in bringing to market a rapid succession of competitive products with a high degree of user orientation, while simultaneously opening up new markets and strategic target groups. I am firmly convinced that we are thus well on our way to achieving a further improvement in our financial results in the interests of our shareholders, customers, and employees and are thus increasing the overall value of the company.



Christoph Mohn
Chief Executive Officer

overview



Portal & Communication

In the first quarter of 2007, LYCOS Europe through its wholly owned subsidiary Jubii LLC took its first step into the US market. Jubii LLC, which is headquartered in Wilmington, Delaware, stands as company and brand for cutting-edge Web 2.0 services with the highest degree of user orientation: As a new kind of social communication platform, Jubii offers an intuitive combination of services with different communications services, online storage, and file sharing. With its completely web-based, intuitive user interface, this application focuses on users and their natural habits. Nothing has to be installed in order to operate Jubii, and switching between different communication forms and services is very simple. Within a single application, Jubii users can communicate in writing or orally via VoIP and can also exchange email, files, photos and videos quickly and easily with people in their personal network.

Jubii is a learning system that enables users to concentrate on those contacts that are most important to them and which they trust most. Jubii's intelligent inbox analyzes the relationship between sender and recipient and prioritizes the senders, for instance, by level of activity and response time of the recipient. Messages are sorted according to the relationship between sender and recipient. The content of the specific message remains untouched. Thus important messages from people with whom regular contact is maintained are sorted into the private inbox and marked as applicable.

Intelligent contact management not only shows who is online at the moment, it also shows the various possible means of communication. The user first decides with whom to communicate and then gets information from Jubii on how that person can be contacted – depending on the availability of email address, mobile phone number or messenger data.

In the area of file sharing, users have full control of their own data. In Jubii, users do not make their photos freely available on the Internet; instead, they make their data accessible to a circle of persons that they themselves define. For each individual file, it is possible to specify who has access to call it up.



The business model of Jubii is based on advertising income on the one hand and paid services on the other. All the basic functions of Jubii may be used free of charge; for additional services, such as additional storage capacity or telephony offerings, fee-based variants are offered. Since February 26, 2007, Jubii has been available in a US version at <http://www.jubii.com>; plans also call for offering Jubii in various countries in Europe.

In the European market, the “human search engine” LYCOS iQ has established itself as a successful alternative to algorithmic Internet searches since its start one year ago. Since then, users have asked about 250,000 questions, to which they have received on average two to three relevant answers from the LYCOS iQ Expert Community. The successful concept was expanded in the first quarter of 2007 to include a cooperation with the publishing group of Gruner & Jahr. For instance, in early February 2007, the expert community “Brigitte no problem” started for Germany's leading women's magazine Brigitte using a white-label version of LYCOS iQ as technical platform. In March, Living at Home, Germany's leading magazine for the modern home, started the expert community “JustASK” together with LYCOS iQ. LYCOS iQ really lives up to its “human”



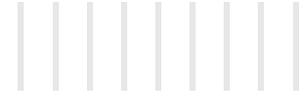
orientation, this shown by a donation effort initiated by users on behalf of the German Children's Cancer Fund (Deutsche Kinderkrebshilfe). Users donated more than two million of the bonus points they had acquired within LYCOS iQ through their know-how and participation within the community; LYCOS Europe exchanged them virtually for material currency and donated the amount of 5,000 euros to the charitable organization.

Compared to the same period last year, the LYCOS Europe network was able to acquire about 9 million new users from portals and from partner sites operated exclusively by our advertising sales organization. As of March 2007, about 38 million unique users a month visited the portal and partner portfolio of LYCOS Europe (Source: comScore, Inc.). New topics and partnerships are expanding the portal offering steadily. These new forms of content cooperation are dedicated completely to the focal areas of information and entertainment: A partnership between the LYCOS Travel Channel and the experience network Insider Agency brings travelers and native people together for their mutual benefit. Vacationers get an opportunity even before starting their trip to get to know native Insiders and to make arrangements to do things together at the vacation site. The Insiders can meet travelers of like minds from all over the world and make exciting new acquaintances. To make contact, all they have to do is enter the desired vacation country and the specific city; then

photos and short profiles of the registered members of the experience network appear. Making contact is easy and free of charge via the LYCOS portal.

A cooperative effort with the motor sports magazine *adrivo.com* gives motor sports fans insights into the ongoing Formula 1 season. A racing calendar not only provides the latest information on the races but also important information on racing routes, technical niceties, and the special features of a particular segment.

A change of strategic alignment in the access business was announced in February. LYCOS Europe is considering selling its German Access business and has already begun negotiations with various external parties that have shown interest in a possible takeover. The German Access Business has about 37,900 broadband customers and about 23,800 narrowband customers; with sales of about EUR 6 million annually. The decision to not invest further in the Access business is a logical consequence of the company's strategy of concentrating on its core businesses and increasing their market



shares. LYCOS Europe had already closed the sale of its Swedish Access business to Glocalnet Scandinavia AB in January 2007 for about EUR 19 million.

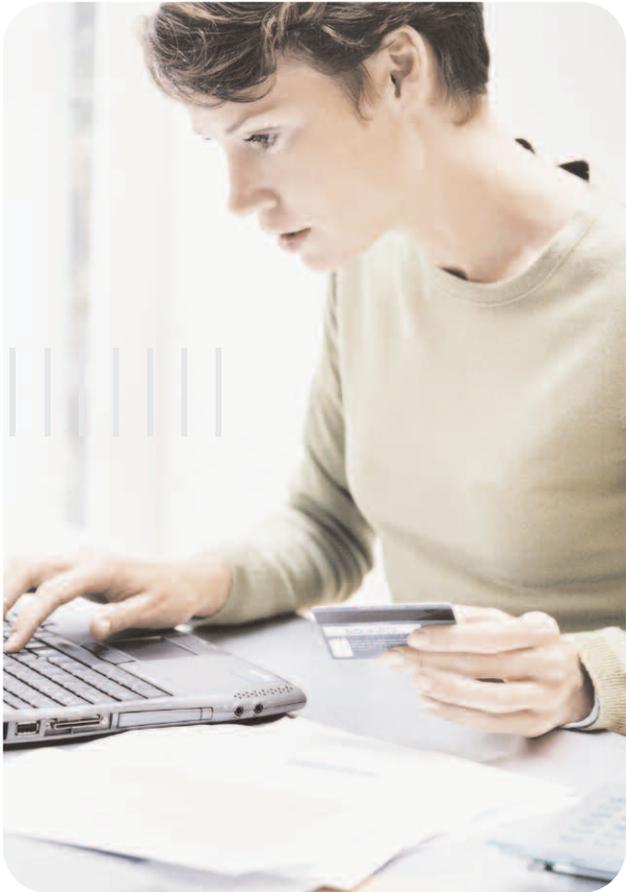
Communities

On March 14, 2007, under the umbrella brand Jubii, JubiiWorld, the new social networking community of Jubii LLC (a subsidiary of LYCOS Europe) was launched in the USA. European versions of JubiiWorld are planned. A one-two punch of communication (chat) and entertainment, as well as the build-up and maintenance of real contacts, are the core elements of the online communications platform, which is designed as a world of virtual experience.

JubiiWorld is displayed as a browser application in a graphical environment designed with a wealth of details. The users take a virtual ship cruise through an artificial island world and can easily access all the functions of JubiiWorld from both vantage points. Great user friendliness is the focus of JubiiWorld: The operation of the communications and entertainment platform is comparable to the desktop of an operating system. Simple, intuitive navigation is made possible by a graphical user interface. Easy-to-use graphical tools and templates also offer users extensive options for creating a personal profile and an individual avatar, without any knowledge of HTML or programming code.

Communication at JubiiWorld takes place on various levels. In a variety of pre-installed real-time chat rooms, users can meet with their friends or with animated “bots”, intelligently programmed chat robots. Besides that, users can open their own rooms by inviting other guests. For individual talks, a messenger format is provided that is equipped with visual effects (“emotes”). In addition users can leave log book entries for each other on their profile pages and decide whether they are to be visible to all users or just to themselves.

Real people also take care of the high security standards at JubiiWorld. In addition to various highly developed security technologies, over 1,000 trained voluntary moderators ensure security and a pleasant atmosphere within the contact network. They are available to provide advice and help to the other users and intervene only in suspicious cases in reaction to consciously created problems or dangers to the basically self-regulating community. To support a realistic self-presentation of users on the visual level, JubiiWorld offers many options for uploading and rating photos. Different



templates for creating rich content for profile pages make it easy for users to present themselves to the community in their own words and pictures. They can also represent themselves using realistic avatars, which can be changed at any time depending on the mood and wishes of the users – everything from hair color to accessories to clothing style.

Shopping

After the closing of the acquisition of mentasys GmbH by Pangora GmbH, a 100 percent subsidiary of the Company in November 2006, the new structure has been in place since February 1, 2007 for the two companies Pangora and mentasys, which in the future will market their services under the joint name Pangora. The focus of the new corporate structure provides for a clear separation of white-label business, for which Robin Schönbeck (sales/customer care) and Dirk Schwartz (technology/product development) will be responsible, and the management of the Lycos brands under the leadership of Tim Stracke. Furthermore, Tim Stracke will also be responsible for the expansion of the company in the US market.



Web Hosting

Via the joint interface with mentasys, the international offering of Pangora now encompasses the goods and services of about 4,000 retailers with about 22 million product offerings and data records. In the first quarter of 2007, Pangora integrated Electronicscout24, the online marketplace for consumer electronics, telecommunications, computers and household appliances, in its network of over 100 portal partners in Europe. Furthermore, Pangora also concluded – still under the name mentasys – a cooperative agreement with YOC AG, operator of the affiliate marketing network “belboon”, for provision and delivery of product offerings for the offering “belboon SmartPrice”, which provides web site operators with a complete free price comparison for integration in their own online offerings.

At CeBIT, Pangora was awarded the “European Seal of Excellence” in gold, once again demonstrating its innovative capabilities. The coveted seal honors companies worldwide for extraordinary successes through special marketing strategies, applications, technologies and services.

Stability and performance are prerequisites for successful web hosting. The basis for that stability is provided by database servers that offer high performance, security and high-availability. In the first quarter, therefore, both the customer databases and the complete internal database structure were converted to MySQL 5.0. Likewise, the usability of the web hosting offerings was improved. Many customers are unsure which hosting solution meets their needs. For this reason, LYCOS Web Hosting has developed an interactive assistant, which helps customers find the product that suits their purposes within just a short time. With simple questions, customers are led through a decision tree and thus to the right product.

With its toolbar offering, LYCOS Web Hosting offers users an even better way to tie customers to their own web site. With the Toolbar Builder, eShop operators and private persons can generate their own personal toolbar and provide it to their customers and friends via email. Whether special product offerings, company news, interesting links, RSS feeds or weather forecasts: With the Toolbar Builder, everything can be combined into a custom-tailored toolbar within just a few minutes – without any programming knowledge at all.

financial results

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 58 percent and advertising 34 percent to LYCOS Europe's total revenues in the three months ended March 31, 2007.

Amounting to EUR 20.0 million for the three months ended March 31, 2007, LYCOS Europe's revenues increased by 9 percent to the three months ended March 31, 2006.

Advertising revenues for the three months ended March 31, 2007, decreased by 16 percent compared to the three months ended March 31, 2006.

Paid services and shopping for the three months ended March 31, 2007, increased by 35 percent compared to the three months ended March 31, 2006. The increase of paid services and shopping is the result of the continuous growth in existing products and the consolidation of mentasys. Compared on a basis as if the acquisition of mentasys had occurred on January 1, 2006 instead of November 1, 2006, the paid service and shopping revenues increased by 20 percent.

Interconnect revenues for the three months ended March 31, 2007, decreased by 9 percent compared to the three months ended March 31, 2006, which is mainly driven by the overall decreased usage of narrow-band products.

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

Cost of Revenues

Cost of revenues increased from EUR 7.0 million for the three months ended March 31, 2006, to EUR 8.0 million for the three months ended March 31, 2007, which is an increase of 13 percent. Compared on a basis as if the acquisition of mentasys had occurred on January 1, 2006 instead of November 1, 2006, the cost of revenues increased by 4 percent.

Sales and Marketing

Sales and marketing expenses amounted to EUR 6.6 million for the three months ended March 31, 2007, which is an increase of 29 percent compared to sales and marketing expenses of EUR 5.1 million for the three months ended March 31, 2006. The increase among others relates to higher marketing costs for products such as LYCOS iQ and LYCOS Web Hosting.

General and Administration

General and administrative expenses increased from EUR 5.1 million for the three months ended March 31, 2006 to EUR 5.7 million for the three months ended March 31, 2007. Compared on a basis as if the acquisition of mentasys had occurred on January 1, 2006 instead of November 1, 2006, general and administrative expenses increased by 7 percent.

Research and Development

Cost incurred for research and product development amounted to EUR 4.2 million for the three months ended March 31, 2007, compared to EUR 3.7 million for the three months ended March 31, 2006. This increase of 13 percent is primarily due to the development of new and enhancement of existing products such as Jubii, Lycos iQ etc. Compared on a basis as if the acquisition of mentasys had occurred on January 1, 2006 instead of November 1, 2006, research and development costs increased by 4 percent.

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 31 for LYCOS Europe's definition of the EBITDA result.

The EBITDA result amounted to EUR (2.3) million for the three months ended March 31, 2007 compared to the three months ended March 31, 2006 (EUR (0.8) million).

Financing

The total amount for cash and cash equivalents, short-term and long-term deposits increased from EUR 93.3 million on December 31, 2006, to EUR 104.3 million on March 31, 2007. During the period ended March 31, 2007, LYCOS Europe used EUR 6.4 million cash in operating activities. In addition, during the period ended March 31, 2007, an amount of EUR 1.2 million was used for the acquisition of property, plant and equipment and 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.

the share

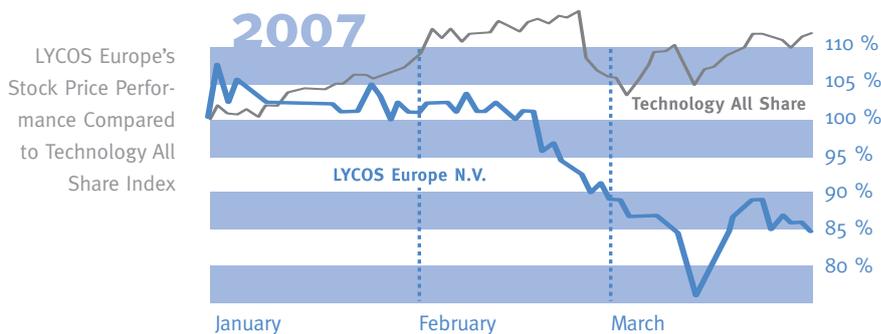
Shareholder Structure

LYCOS Europe's legal shareholder structure as at March 31, 2007, is as follows: LE Holding Corp. (32.1 percent), Bertelsmann Internet Holding GmbH/Fireball Internet GmbH/Jahr Vermögensverwaltungs GmbH & Co. KG (20.0 percent), Christoph Mohn Internet Holding GmbH (12.1 percent), LYCOS Europe N.V. [shares held as treasury shares] (0.2 percent), and Free Float (35.6 percent).

As at March 31, 2007, 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 three months of 2007. The share price dropped by 12.4 percent from EUR 0.89 (Frankfurt Stock Exchange, opening price January 2, 2007) to EUR 0.78 (Frankfurt Stock Exchange, closing price March 30, 2007) and therefore could not compete with the Technology All Share Index which rose by 12.7 percent in the same period.



employees

LYCOS Europe had 709 employees at March 31, 2007 compared to 714 employees at December 31, 2006. From all employees 56 percent are located in Germany,

28 percent in Armenia, 7 percent in France and 9 percent in offices located in Denmark, Italy, the Netherlands and the United Kingdom.

outlook

LYCOS Europe is considering selling its German Access business and currently is in negotiations with potential buyers. Thus pursuing a strategy that concentrates consistently on its core businesses. The step into the USA via its subsidiary Jubii LLC represents an exciting new development and challenge for the company. Both inside and outside Europe, LYCOS Europe is working intensively on product expansion: The communications platform Jubii and the new social community JubiiWorld are being rolled out in various European countries. In addition, JubiiDate is starting a free dating service; while JubiiPages offers a home page building tool that enables users to design an attractive and individualized web page with just a few clicks. The “human search engine” LYCOS iQ is continuously being improved through additional innovative functions, with the goal of providing a fast answer to any question on the Internet. The implementation of LYCOS iQ on partner pages is advancing steadily.

Taking all this together, LYCOS Europe sees a productive year ahead. LYCOS Europe is confident that after the sale of Seznam.cz, a.s. for a consideration of EUR 65 million, which will be accounted for in Q2/2007, it will not only have a profitable year on a net income basis on the overall group level, but that it will also be able to improve its strategic alignment.

Haarlem, the Netherlands

April 20, 2007



Christoph Mohn,
Chief Executive Officer

LYCOS Europe N.V.
 unaudited condensed consolidated
 interim balance sheets

In thousand Euro	Notes	March 31, 2007	December 31, 2006
Assets			
Property, plant and equipment	3	3,707	3,335
Intangible assets	5	47,455	47,399
Deferred tax assets	6	194	190
Other investments	7	4,955	9,951
Other non-current assets		1,235	1,292
Total non-current assets		57,546	62,167
Cash and cash equivalents	7	61,720	70,886
Other investments	7	37,609	12,500
Accounts receivable and other receivables	8,9	14,546	15,650
Prepaid expenses and other current assets	8	8,254	6,446
Assets classified as held for sale	16	64,800	14,528
Total current assets		186,929	120,010
Total assets		244,475	182,177
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		1,586,936	1,587,049
Legal reserves		5,081	4,968
Treasury shares		(2,052)	(2,052)
Translation reserve		(694)	1,137
Other reserves	16	64,800	0
Accumulated deficit		(1,457,984)	(1,465,594)
Total shareholders' equity attributable to equity holders of the Company	10	199,210	128,631
Deferred revenue		206	406
Deferred tax liabilities	6	2,079	2,188
Provisions		14,075	14,075
Total non-current liabilities		16,360	16,669
Short-term debt		58	148
Accounts payable	9	6,799	7,992
Restructuring provision		716	830
Other short-term liabilities	12	15,910	17,432
Deferred revenue		5,422	5,383
Liabilities classified as held for sale		0	5,092
Total current liabilities		28,905	36,877
Total liabilities		45,265	53,546
Total shareholders' equity and liabilities		244,475	182,177

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	Three months ended March 31, 2007	Three months ended March 31, 2006
Advertising		6,797	8,075
Paid services and shopping		11,632	8,606
Interconnect		1,417	1,555
Licensing and other		113	75
Total revenues		19,959	18,311
Cost of revenues		(7,962)	(7,024)
Gross profit		11,997	11,287
Sales and marketing	14	(6,577)	(5,100)
General and administration	14	(5,688)	(5,092)
Research and development	14	(4,239)	(3,748)
Other operating income		660	317
Loss from operations		(3,847)	(2,336)
Finance income		675	628
Finance expense		(128)	(29)
Other financing income/expense		214	(105)
Net financing income		761	494
Loss before tax		(3,086)	(1,842)
Income tax		101	(6)
Net (loss) from continuing operations		(2,985)	(1,848)
Profit/(loss) from discontinued operations (net of income tax)	4	10,595	(184)
Net profit/(loss) for the period for the period attributable to equity holders of the Company		7,610	(2,032)
Basic/diluted loss per share (Euro)			
– continued operations	15	(0.01)	(0.01)
Basic/diluted profit/(loss) per share (Euro)	15	0.02	(0.01)
Weighted average number of shares outstanding		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	Three months ended March 31, 2007	Three months ended March 31, 2006
Continued operations			
Cash flows from operating activities			
Loss before tax		(3,086)	(1,842)
Adjustments for:			
Depreciation and amortization		1,527	1,493
Finance Income		(547)	(598)
Other non cash movements		(1,087)	160
Change in accounts receivable		575	906
Change in prepaid expenses and other current assets		(1,811)	(4,479)
Change in other non-current assets		(169)	32
Change in accounts payable		(791)	(511)
Change in current liabilities		(1,427)	(2,456)
Change in deferred revenue		(156)	381
Change in other non-current liabilities		(96)	(13)
Interest paid		0	(16)
Interest received		672	546
Income tax paid		(6)	(219)
Net cash used in operating activities		(6,402)	(6,616)
Cash flows from investing activities			
Acquisitions of property, plant and equipment and other intangible assets		(1,247)	(377)
Development expenditure		(300)	(271)
Change in short and long-term investments		(20,293)	2,721
Acquisitions of subsidiaries, net of cash acquired	4	(504)	0
Net cash provided/(used) in investing activities		(22,344)	2,073
Cash flows from financing activities			
Change in short-term debt		(90)	(2,940)
Net cash used in financing activities		(90)	(2,940)
Discontinued operations			
Net cash from operating activities		1,680	(1,220)
Net cash from investing activities		18,352	0
Net cash from financing activities		0	0
Net cash from discontinued operations		20,032	(1,220)
Effect of exchange rate changes on cash and cash equivalents		(362)	(19)
Decrease in cash and cash equivalents		(9,166)	(8,722)
Cash and cash equivalents, beginning of the period		70,886	65,695
Cash and cash equivalents, end of the period	7	61,720	56,973

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)	Notes	Class AA		Class AB		Class B	
		shares	EUR	shares	EUR	shares	EUR
Balance as at		No. of		No. of		No. of	
		shares	EUR	shares	EUR	shares	EUR
December 31, 2005		62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses							
Translation loss							
Net loss							
Balance as at		62,000,000	620	62,000,000	620	188,300,000	1,883
March 31, 2006		62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses							
Translation gain							
Net gain							
Balance as at		62,000,000	620	62,000,000	620	188,300,000	1,883
December 31, 2006		62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses							
Translation loss							
Translation gain disposals							
Revaluation of assets held for sale							
Net gain							
Balance as at		62,000,000	620	62,000,000	620	188,300,000	1,883
March 31, 2007	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	Other reserves	Accumulated deficit	Translation reserve and accumulated deficit		Total
						No. of shares		
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1,589,584	2,433	(723,656)	(2,052)	578	0	(1,467,298)	(1,466,720)	126,368
128	(128)						0	0
				(87)			(87)	(87)
						(2,032)	(2,032)	(2,032)
1,589,712	2,305	(723,656)	(2,052)	491	0	(1,469,330)	(1,468,839)	124,249
(2,663)	2,663						0	0
				646			646	646
						3,736	3,736	3,736
1,587,049	4,968	(723,656)	(2,052)	1,137	0	(1,465,594)	(1,464,457)	128,631
(113)	113						0	0
				(892)			(892)	(892)
				(939)			(939)	(939)
					64,800		0	64,800
						7,610	7,610	7,610
1,586,936	5,081	(723,656)	(2,052)	(694)	64,800	(1,457,984)	(1,458,678)	199,210

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

1. significant accounting policies
2. segment reporting
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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 an international network of websites in seven languages. The Company’s combination of portal and communication, communities, hosting and 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”). These unaudited condensed consolidated interim financial statements were authorized for issue by the Management Board of the Company on April 20, 2007.

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, 2006. 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, 2006.

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

In thousand Euro	Germany		Sweden (discontinued ²)		France	
	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended
	Mar. 31, 2007	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2006
Revenues	12,122	11,834	(46)	11,561	2,527	2,487
Revenues from intersegment transactions	3,904	4,482	0	669	204	546
Total revenues	16,026	16,316	(46)	12,230	2,731	3,033
Net gain/(loss) for the period	(2,817)	(225)	10,089	(168)	(122)	(399)

In thousand Euro	United Kingdom		Denmark		Other regions & eliminations	
	Three months ended	Three months ended				
	Mar. 31, 2007	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2006
Revenues	2,013	1,376	1,870	2,005	1,428	604
Revenues from intersegment transactions	99	150	79	121	(4,286)	(5,968)
Total revenues	2,112	1,526	1,949	2,126	(2,858)	(5,364)
Net gain/(loss) for the period	319	(57)	(200)	(79)	341	(1,104)

In thousand Euro	Less discontinued operations		Continued operations	
	Three months ended	Three months ended	Three months ended	Three months ended
	Mar. 31, 2007	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2006
Revenues	45	(11,556)	19,959	18,311
Revenues from intersegment transactions	0	0	0	0
Total revenues	45	(11,556)	19,959	18,311
Net gain/(loss) for the period	0	0	7,610	(2,032)

² The Swedish operating business is presented as discontinued, although Spray Network Services AB, one of the technical service centers of the Company located in Sweden is still continued.

3. 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 December 31, 2006	18,794	3,794	22,588
Balance as at March 31, 2007	19,218	3,650	22,868
Depreciation and impairment losses			
Balance as at December 31, 2006	(16,919)	(2,334)	(19,253)
Balance as at March 31, 2007	(16,766)	(2,395)	(19,161)
Carrying amounts			
Balance as at December 31, 2006	1,875	1,460	3,335
Balance as at March 31, 2007	2,452	1,255	3,707

4. acquisition and disposal of subsidiaries

united-domains

On January 13, 2004, LYCOS Europe N.V. acquired all shares in united-domains AG, a German company which specializes in worldwide domain registration. In addition to the fixed purchase price of EUR 5.9 million, LYCOS Europe N.V. agreed to pay a consideration to the sellers using a formula based upon the number of new .eu domain registrations. The additional preliminary consideration of EUR 1.7 million was paid in August 2006 and was adjusted in Q1/2007. In the first three months of 2007 an additional amount of EUR 0.5 million was paid, resulting in a total goodwill of EUR 6.3 million.

Swedish business

LYCOS Europe decided in 2006 to discontinue its Swedish Portal and Access business. Therefore the Company sold the Swedish Portal business together with the Spray trademark and its legal entity Spray TMH AB on September 29, 2006. The Swedish Access business was sold on November 23, 2006 for a consideration of SEK 172.0 million (EUR 18.9 million at transaction date). The transaction was closed in January 2006. The preliminary gain on sale for the access business after deduction of net assets and transaction costs amounts to EUR 9.7 million.

In thousand Euro	March 31, 2007	March 31, 2006
Result of discontinued operations		
Revenues	(45)	11,556
Expenses	104	(11,810)
Other	750	0
Result from operating activities	809	(254)
Net financing income	130	0
Income tax expense	0	70
Profit/(Loss) after tax but before gain on sale	939	(184)
Gain on sale of discontinued operation	9,656	0
Income tax on gain of sale	0	0
Profit/(Loss) for the period	10,595	(184)

5. 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.

LYCOS Europe will perform the annual impairment test for goodwill acquired in business combinations during the second quarter 2007.

In thousand Euro	Goodwill	Licenses and other rights	Capitalized development expenses	Purchased software	Total
Cost					
Balance as at December 31, 2006	35,849	50,533	13,110	4,042	103,534
Balance as at March 31, 2007	36,353	50,649	13,410	4,070	104,482
Amortization and impairment losses					
Balance as at December 31, 2006	0	(44,579)	(8,142)	(3,414)	(56,135)
Balance as at March 31, 2007	0	(45,164)	(8,329)	(3,534)	(57,027)
Carrying amounts					
Balance as at December 31, 2006	35,849	5,954	4,968	628	47,399
Balance as at March 31, 2007	36,353	5,485	5,081	536	47,455

6. income taxes

Deferred tax assets and liabilities are summarized as follows:

In thousand Euro	March 31, 2007	December 31, 2006
Deferred tax assets		
Loss carry-forwards	519	547
Property, plant and equipment	449	374
Intangible assets	7,103	7,339
Less Valuation allowance	(6,450)	(6,699)
Netting	(1,427)	(1,371)
Total deferred tax assets	194	190
Deferred tax liabilities		
Property, plant and equipment	493	429
Intangible assets	3,013	3,130
Netting	(1,427)	(1,371)
Total deferred tax liabilities	2,079	2,188

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. On March 31, 2007, and December 31, 2006, the Company's operating tax loss carry forwards amount to approximately EUR 568.9 million and EUR 566.9 million, respectively. On March 31, 2007 an amount of EUR 103.1 million thereof is restricted in use until 2009. Further, except for EUR 90.5 million of the loss carry-forwards, all of the loss carry forwards have an indefinite life.

7. 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 three months and other investments consist of bonds and deposits.

An amount of EUR 9.8 million is restricted in use as at March 31, 2007, and December 31, 2006, respectively. An amount of EUR 4.8 million of the restricted cash is non-current as at March 31, 2007, and December 31, 2006, respectively.

8. accounts receivable and other receivables

Accounts receivable are made up as follows:

In thousand Euro	March 31, 2007	December 31, 2006
Accounts receivables	14,524	15,619
Accounts receivable from related parties	22	31
Total	14,546	15,650

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

In thousand Euro	March 31, 2007	December 31, 2006
Rent deposits and prepayments	227	249
Current prepaid expenses	765	944
Accrued income	3,078	3,521
Other short-term receivables	4,184	1,732
Total	8,254	6,446

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 March 31, 2007, and December 31, 2006. 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 March 31, 2007, and December 31, 2006. 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), also initial 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 March 31, 2007, and December 31, 2006, respectively, and 187,576,344 are outstanding on March 31, 2007, and December 31, 2006, 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 March 31, 2007.

Range of exercise prices (in EUR)	Options outstanding		
	Number of outstanding options as of March 31, 2007	Weighted average remaining contractual life (in years)	Weighted average exercise price per share
0.00 – 2.49	74,300	2.0	1.83
2.50 – 7.49	320,650	1.7	6.16
7.50 – 17.49	146,000	1.2	15.90
17.50 – 30.00	233,200	0.6	28.80

12. other short-term liabilities

Other short-term liabilities comprise of:

In thousand Euro	March 31, 2007	December 31, 2006
Accrual for salary and salary related cost	2,129	1,862
Accrual for marketing cost	1,846	1,697
Accrual for professional services	1,288	1,203
Other accrued expenses	6,164	7,940
Other current liabilities	4,483	4,730
Accrued expenses and other current liabilities	15,910	17,432

13. contingencies and commitments

Minimum Lease and Rental Payments

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

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

In thousand Euro	
Due within 2007	1,936
Due after 2007 until 2012	8,503
Due after 2012	1,246
Total	11,685

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 Search 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 immediately and fiercely denied this claim for past infringements.

According to an assessment of the Company and its advisors, it believes that the chance that a court would uphold a termination notice by Lycos, Inc. on the alleged infringements could be in general considered as small. Therefore LYCOS Europe did not record any provision. Eventually, Lycos, Inc. withdrew its claim letter, under reservation of all rights, and the Company and Lycos, Inc. entered into negotiations regarding a broader perpetual license agreement. The outcome of these negotiations, which were temporarily adjourned due to a change of management of Lycos, Inc. and recently reopened, is still uncertain.

14. other operating expenses

Other operating expenses comprise of:

In thousand Euro	Three months ended March 31, 2007			Total
	Ordinary expenses	Restructuring	Other amortization	
Sales and marketing	(6,348)	0	(229)	(6,577)
General and administration	(5,559)	1	(130)	(5,688)
Research and development	(4,109)	0	(130)	(4,239)
Total	(16,016)	1	(489)	(16,504)

In thousand Euro	Three months ended March 31, 2006			Total
	Ordinary expenses	Restructuring	Other amortization	
Sales and marketing	(5,100)	0	0	(5,100)
General and administration	(4,775)	(21)	(296)	(5,092)
Research and development	(3,914)	166	0	(3,748)
Total	(13,789)	145	(296)	(13,940)

15. 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 is similar to basic earnings 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. 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.

	Three months ended March 31, 2007	Three months ended March 31, 2006
Basic/diluted net loss – continued operation (in thousand Euro)	(2,985)	(1,848)
Basic/diluted net profit/(net loss) (in thousand Euro)	7,610	(2,032)
Weighted average shares	311,576,344	311,576,344
Net loss per share basic and diluted – continued operation	(0.01)	(0.01)
Net profit/(net loss) per share basic and diluted	0.02	(0.01)

16. subsequent events

On April 2, 2007 LYCOS Europe announced the sale of its investment in Seznam.cz a.s (“Seznam”), a portal provider based in Prague, Czech Republic to Tiger Holding Four S.à.r.l and Miura International S.à.r.l. LYCOS’ investment represents 30 percent of the share capital in Seznam and is accounted for as an available-for-sale financial instrument with a carrying amount of EUR 69 thousand. Both parties together will take over all of LYCOS’ shares for a consideration of EUR 65 million in cash. The impact on the cash position and net income of LYCOS Europe is expected to be equal to the consideration deducted by transaction costs and the investments carrying amount and will be accounted for in the second quarter of 2007.

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 ³	23,790	23,856	22,838	33,292
Loss from operations ³	(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 ⁴	(9,645)	(11,928)	(7,169)	(5,485)

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
Loss from operations	(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)
EBITDA ⁴	(6,194)	(6,264)	410	1,709

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
Loss from operations	(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)
EBITDA ⁴	(834)	777	(3,379)	(1,192)

In thousand Euro (except per share data)	Quarter ended March 31, 2007
Revenues	19,959
Loss from operations	(3,847)
Net profit	7,610
Net profit per share basic and diluted in Euro	0.02
EBITDA ⁴	(2,320)

³ Not restated.

⁴ EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment, which is calculated by excluding the depreciation, amortization and impairment 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
March 31, 2007, is also available in
German and French. In case of doubt,
the English version is decisive.

